



European  
Commission

Directorate General Human Resources and Security  
PERFORMANCE THROUGH PEOPLE

Annual Activity Report  
2015

Brussels, April 2016

Final

# CONTENT

EXECUTIVE SUMMARY .....	1
PART 1: POLICY ACHIEVEMENTS .....	6
<b>ORGANISATIONAL DEVELOPMENT</b> HIGHER PERFORMANCE ORGANISATION	
<i>I.1: Human resources are allocated to Commission priorities to deliver maximum performance and added value.....</i>	7
<i>I.2: Efficient HR processes meeting staff and Commission priorities.....</i>	8
<b>TALENT MANAGEMENT</b> THE RIGHT PERSON IN THE RIGHT JOB AT THE RIGHT TIME	
<i>II.1: Talents are recruited, assessed, developed, retained and deployed to best fit with priorities .....</i>	9
<i>II.2: An inclusive talent management that attracts and retains diverse talent .....</i>	11
<b>SECURITY</b> SECURE ORGANISATION	
<i>III.1: staff work in a secure working environment.....</i>	12
<b>FIT@WORK</b> SECURE, SAFE, HEALTHY AND SUSTAINABLE WORKING ENVIRONMENT	
<i>III.2: Staff work in an attractive working environment .....</i>	13
<b>LEGAL AFFAIRS</b> ETHICAL ORGANISATION	
<i>V.1: Managers and staff abide by the highest professional and ethical standards at all times.....</i>	15
<i>IV.2: Staff Regulations implementing rules are clear and effectively applied.....</i>	16
<b>PARTNERSHIPS</b> COLLABORATIVE ORGANISATION	
<i>IV.3: Collaborative and effective professional relationships with stakeholders and partners relevant for HR core services .....</i>	17
PART 2: MANAGEMENT AND INTERNAL CONTROL.....	19
<b>2.0 CONTROL ENVIRONMENT AND FINANCIAL RISKS .....</b>	<b>20</b>
<i>Overview of the Budget.....</i>	20
<i>Additional Revenue: SLAs and European Schools.....</i>	20
<i>Budget implementation tasks entrusted to others: Cross Sub Delegations .....</i>	21
<i>The European Schools: A distinct and separate mandate .....</i>	22
<i>Financial Risks: The Type of Financial Operations Managed .....</i>	22
<i>Supervision and Delegation of Power .....</i>	23
<b>2.1 CONTROL RESULTS .....</b>	<b>24</b>
<i>Assurance Reports and Exceptions or Noncompliance Reports .....</i>	24
<i>Coverage of the Internal Control Objectives: Ex Post Controls.....</i>	25
<i>Estimated Error Rate using Weighted Average.....</i>	26
<i>The Legality and Regularity of Procurement Controls.....</i>	27
<i>Control effectiveness as regards legality and regularity .....</i>	27
<i>Efficiency and Cost-Effectiveness of Control.....</i>	28
<b>2.2 AUDIT OBSERVATIONS AND RECOMMENDATIONS .....</b>	<b>32</b>
<b>2.3 ASSESSMENT OF THE EFFECTIVENESS OF THE INTERNAL CONTROL SYSTEMS .....</b>	<b>34</b>
<b>2.4 CONCLUSIONS AS REGARDS ASSURANCE .....</b>	<b>35</b>
DECLARATION OF ASSURANCE AND RESERVATION.....	37
<b>RESERVATION 1 .....</b>	<b>38</b>

# 2015

Was the first full year of the new College who has clearly expressed its commitment to restore citizen's confidence by demonstrating that EU can deliver on the big challenges facing EU economies and societies.

DG HR launched new initiatives in relation to both organisational design and people management to provide concrete responses to these political priorities.

In this context, DG HR achieved to a great extent, the objectives set for the following 6 key policies areas as well as for the resources management:



### Organisational DEVELOPMENT

HIGH PERFORMANCE ORGANISATION

DG HR supported reorganisations of the portfolios of Commissioners and of 15 DGs affecting more than 1500 staff members. DG HR advised DGs on their reorganisation proposals geared at a more efficient management of their organisational structure.

In line with President Juncker's request DG HR worked in cooperation with SG and DG BUDG to examine the potential for synergies and efficiency gains across the Commission to better align Human resources with political priorities and to deliver maximum performance and added value. A review report was submitted to Vice-President Georgieva and subsequently to the President, who gave a positive feedback. DGs were then consulted in order to fine-tune the proposals and prepare for their implementation.

As part of the above mentioned review, DG HR has proposed an HR modernisation project to enhance processes efficiency, which does not impact the substantial decision-making powers of Directors General, but frees up resources by shifting administrative support tasks to central level while upscaling the service offered at central and local levels. The proposal was discussed by a consultation group of Directors-General.



### Talent MANAGEMENT

THE RIGHT PERSON, IN THE RIGHT JOB AT THE RIGHT TIME

The development of an Integrated Talent Management Framework has been initiated focusing on managerial excellence, on the development of staff competencies, on staff performance, on strengthening the collaborative skills and on careers.

In addition, new learning and development strategy was finalised. It paves the way for a further diversification of learning, addressing learning at and from work, and knowledge-sharing. A new 8-day EC Induction seminar has been launched, providing newcomers with extensive information on the Commission's values, working methods and political priorities, with a focus on working together across DGs.

The Commission took a decision on targets for women in management for 2019. DG must contribute to meeting the target by adopting sub-targets for the number of women in middle management. Women's share of management and non-management administrator grade staff continued to rise in 2015.

## EXECUTIVE SUMMARY



### Security

SECURE ORGANISATION

The Commission adopted new security rules to provide sound legal framework and to implement effective measures for the enhanced protection of persons, information and assets. DG HR started implementing an action plan on "Enhanced security measures" to respond to the current threats.

DG HR also implemented a new machine-readable EU Laissez-Passer, a travel document determining status as an EU official when travelling for missions or when residing outside the EU.

DG HR has monitored the move of Commission services out of the Jean Monnet Building and relocated to another building as a precautionary measure as a result of the presence of asbestos.



### fit@work

HEALTHY PEOPLE, HEALTHY ORGANISATION

DG HR launched the fit@work programme bringing greater visibility to the existing range of health and wellbeing measures, while laying the foundations for new or more extensive provisions to be developed in the future. The programme was launched at the official opening of the new sports Commission facilities with a fitness evaluation day.

DG HR also enhanced the flexibility of working formulas for a better work / life balance. New Commission decisions on teleworking & part-time policy provides an additional part-time formula for a 38-hour working week and increases the annual ceiling for occasional telework as well as offering more flexibility for managing specific circumstances.

Safety and security in the European Schools was a top priority for the DG HR who offered constant support and guidance to the European Schools throughout the year. The need for additional infrastructure in Brussels was confirmed. This will lead to the opening of the fifth European School.

Work to improve the governance and control framework led to a revision of the European Schools Financial Regulation and a reinforcement of the segregation of duties principles. DG HR monitored the Schools' work to address open audit recommendations was regularly monitored.



### Legal AFFAIRS

ETHICAL ORGANISATION

DG HR launched a project for HR Better Regulations with a view to simplify implementing rules to ensure their alignment with the Commission's HR priorities. The most recently adopted decisions, for example on telework or part-time, already benefited from a review on their scope and coherence to ensure that they are fit for purpose.

## EXECUTIVE SUMMARY



**Partnerships**  
COLLABORATIVE ORGANISATION

A review of the Commission's policy on Internal Communication and Staff Engagement was launched in 2015, with a revamped strategy and new delivery model expected to be in place in 2016



**Resource MANAGEMENT**  
SOUNDS RESOURCE MANAGEMENT

In accordance with the governance statement 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 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. DG HR has assessed the internal control systems during the reporting year and has concluded that the internal control 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.

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 albeit qualified by a reputational reservation concerning the effective management of some of the Commission funds assigned to the European schools.



### Information to the Commissioner

The main elements of this report and assurance declaration, including the reservation envisaged, have been brought to the attention of the Vice-President of the European Commission, Kristalina Georgieva, responsible for Budget and Human Resources.



**Irene SOUKA**  
Director-General of DG HR

## EXECUTIVE SUMMARY

### KEY PERFORMANCE INDICATORS

The five Key Performance Indicators have been set for DG HR's main operational and administrative areas of work. They are described in context with relevant specific objective defined in the DG HR Management Plan 2015.

KEY AREA	KPIs	
<p><b>Organisational</b> DEVELOPMENT HIGH PERFORMANCE ORGANISATION</p>	Reduction of Commission wide "local overhead" functions	6.9%
<p><b>Talent</b> MANAGEMENT the right person, in the right job at the right time</p>	Percentage of women in senior and middle management	31.2%
<p><b>fit@work</b> HEALTHY PEOPLE, HEALTHY ORGANISATION</p>	Percentage of Staff satisfied with their workplace	71%
<p><b>Security</b> SECURE ORGANISATION</p>	Advice delivered to Commission mission performers % of missions to high-risk destinations receiving travel advice	100%
<p><b>Resource</b> MANAGEMENT SOUNDS RESOURCE MANAGEMENT</p>	Random representative error rate on financial transactions	0.1%

# 1. POLICY ACHIEVEMENTS

## PERFORMANCE THROUGH PEOPLE





# ORGANISATIONAL DEVELOPMENT



## HIGHER PERFORMANCE ORGANISATION

New way of working to deliver on the priorities of the Commission

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

Result indicators	Baseline		2015	Target	
Reduction of Commission wide "local overhead" functions	7.7%	2014	6.9%	≤7.7%	2015

Source: Commission Job Screening

### Main outputs in 2015 (★ Very High priority ● High priority)

**Ensure optimal organisation of Commission's services** facilitating assimilated policy delivery and identify possible synergies and efficiencies gains.

★ **Synergies and efficiencies review:** In line with President Juncker's request DG HR worked in cooperation with SG and DG BUDG to examine the potential for synergies and efficiency gains across the Commission. Work focused on three main areas:

- Aligning structures with priorities
- Rationalising the Commission's horizontal processes by modernising 'support communities' (HR, finance, IT, communication, logistics, etc.)
- Introducing new ways of working together.

In July, a review report was submitted by Vice-President Georgieva to Mr Juncker, who responded positively and asked Vice President Georgieva to consult the DGs in order to fine-tune the proposals and prepare for their implementation. DGs discussed and finalised reports by the end of the year on implementing actions. The proposals were submitted to Vice-President Georgieva and will be presented in 2016 to the College for endorsement.

★ **Provide DGs with advice on Organisational Design and Development in the context of reorganisations**

The reorganisations in 2015 accommodated the portfolios of the respective Commissioners and the reallocation of certain organisational entities. It affected 15 DGs and more than 1500 staff members. Two DGs (ENTR, MARKT) disappeared and two new DGs were created (GROW, FISMA). The DGs ELARG and SANCO were renamed as NEAR and SANTE.

In the course of 2015, Commission services were affected by the decision to centralise all Internal Audit Capacities (IACs) at the Commission's Internal Audit Service (IAS).

The new approach to providing technical assistance at Commission level resulted in the creation of a Structural Reform Support Service (SRSS).

DG HOME and ECHO were restructured and reinforced through redeploying staff from other Commission services. In parallel, the operational responsibility and staffing for the international nuclear fusion experiment (ITER) moved from DG RTD to DG ENER. Finally, the provision of digital training was transferred from DG DIGIT to DG HR.

Reorganisations are supported by a policy framework and implementing guidelines. The corresponding indicators and benchmarks support a coherent, transparent and strategic approach to the creation of organisational entities and management functions. DG HR systematically advises DGs on their reorganisation proposals, including several smaller sized ones, geared at a more efficient management of their organisational structure.



# ORGANISATIONAL DEVELOPMENT



HIGHER PERFORMANCE ORGANISATION  
New way of working to deliver on the priorities of the Commission

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

Result indicators	Baseline	2015	Target
-------------------	----------	------	--------

### Customer Satisfaction with the HR services

• DGs' satisfaction with HR services	New	-	N/A	>66%	2015
• Staff Satisfaction with HR services	72%	-	N/A	75%	2015

Source: Dedicated survey – Survey will be organised once the new delivery model will be implemented

### Resource savings through shift to new HR delivery model

• Estimated Savings in terms of FTEs	New	-	N/A	40	2020
• Ration of HR staff versus the Commission's staff.	1:29	-	N/A	decrease	2020

Source: Monitoring through DG HR staff tables and DG screening job listing. Savings will be identified once the new delivery model will be implemented

## Main outputs in 2015 (★ Very High priority ● High priority)

### 1. Modernise the HR community and services

#### ★ HR modernisation project.

Currently, the Commission's HR functions are based on a (central local) bipolar structure, with an emphasis on maximising proximity to users rather than resource efficiency. As a consequence, the ratio of HR staff to clients is high compared with relevant benchmarks. DG HR has proposed a new delivery model which does not impact the substantial decision-making powers of Directors General, but frees up resources by shifting administrative support tasks to central level while upscaling the service offered at central and local levels. The organising principles for the project and the concrete issues for implementation were discussed by a dedicated consultation group at Director-General level, chaired by DG HR Director-General Irene Souka. A final report was issued and endorsed by all DGs at the beginning of 2016.

- **Business process reengineering** aims at redesigning HR processes with a view to rationalisation, simplification and a more customer centred approach. Progress was made in 2015; in particular, e-workflows were rolled-out supporting the selection of senior and middle managers, and recruitment of contractual agents, as well as the absence management procedure. In addition progress was made as regards the preparation of the outsourcing of pre-recruitment and annual medical visits (staff redeployment, inter institutional call for tenders; transfer financial responsibilities to PMO). Finally, the new learning management system was selected and tested. Further progress was made on drawing up learning paths and streamlining financial procedures through the introduction of e-Prior modules.



# TALENT MANAGEMENT

THE RIGHT PERSON IN THE RIGHT JOB AT THE RIGHT TIME  
Corporate Talent Management Policy aligned with Commission priorities



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

Result indicators <sup>1</sup>	Baseline	2015	Target
<b>Effective Talent Management:</b> Effective talent management aims at fulfilling Commission needs in terms of competency of staff. It includes the following HR processes: Recruitment, Learning & Development, Mobility, Appraisal and Promotion and Staff engagement.			
<b>Recruit Talents</b>			
DGs' satisfaction with new recruitments.	New	23 days	> 50%
Average duration of recruiting process (Working days).	26 days	> 100% for generalists - 86% including translators and specialists too	22 days in 75% of the cases
Average "exploitation rate" of the Commission quotas in the EPSO reserve lists. (12 months after publication)	4 competitions, between 96% and 106%		90%
<b>Develop Talents</b>			
Satisfaction Rate "5 Stars" with learning actions	87%	86%	87%
Success rate in tests/exams following learning activities.	New		≥60%
Percentage of newly appointed senior managers attending and completing the development programme	70%	70%	80%
Overall staff mobility <sup>1</sup>	20%	20%	20%
<b>Motivate Talents</b>			
Level of satisfaction of staff			

Source: EPSO e-RL database (1) Sysper, Staff Survey 2015 (2&3), HR information.

<sup>1</sup> Target defined on the basis of the current framework. The target will be reviewed in the context of the development of the Integrated Talent Management Framework

**Main outputs in 2015** (★ Very High priority ● High priority)

## 1. Integrated Talent Management Framework

- ★ The development of an Integrated Talent Management Framework has been initiated focusing on managerial excellence, on the development of staff

<sup>1</sup> Result indicators will be developed and improved in the context of the new corporate Talent Management Framework



# TALENT MANAGEMENT

THE RIGHT PERSON IN THE RIGHT JOB AT THE RIGHT TIME  
Corporate Talent Management Policy aligned with Commission priorities



competencies, on staff performance, on strengthening the collaborative skills and on careers.

## 2. Revamping the existing HR policies and processes.

### Recruitment

- New framework contract for Interim Staff: DG HR launched the inter-institutional tendering procedure for the new framework contract for staff hired via a temping agency in Brussels. The new contract entered into force on 1 January 2016

**Learning & Development:** adoption and implementation of:

- ★ New learning and development strategy: the strategy has been finalised in 2015, and expected to be adopted in spring 2016. It paves the way for a further diversification of learning, addressing learning at and from work, from experience, exchanges with colleagues, knowledge-sharing and training courses. It will also focus on the development of managers who are key supporters for learning and performance in the organisation.
- ★ New Induction programme for newcomers, including mentoring: A new 8-day EC Induction seminar has been launched, providing newcomers with extensive information on the Commission's history, values, working methods and political priorities, with a focus on working together across DGs and a shared corporate culture.
- New Learning Management Information System: The system was chosen and tested in 2015 for an implementation in 2016. It will be a further step towards bringing all learning formats and resources together in one central place. This system will allow staff to put together their own personal learning programme and access resources via digital devices, based on recommendations by the system, taking into consideration the person's job specificities and individual profile.

**Career management:** Identify and grow talent, accompany and facilitate mobility of staff and managers. Adoption and implementation of

- ★ Guidelines for unsatisfactory performance: The Commission revised its rules on dealing with incompetence of staff, and has started preparing guidelines on underperformance management covering managerial and legal aspects. To enhance the management of underperformance, as foreseen in the Talent Management Strategy, a performance management team was created in September 2015. The team manages underperformance of officials, temporary staff and contract staff throughout their career starting with the probationary period.
- Revised implementing rules for Contract Agents: DG HR started a revision of the General Implementing Provisions (GIPs) for contract staff, which is scheduled for adoption in 2016. The objectives were to simplify the selection procedure through a permanent database of contract staff (CAST); to provide genuine career opportunities for the most talented contract staff; to enhance mobility within the Commission and executive agencies; and to open access to specific positions in the delegations.

**New policy on senior management, middle management and adviser functions** focused on attracting the right talent and taking into consideration the changed Staff Regulations. Revised Commission decision on senior and middle management, advisers.



# TALENT MANAGEMENT



THE RIGHT PERSON IN THE RIGHT JOB AT THE RIGHT TIME  
Corporate Talent Management Policy aligned with Commission priorities

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

## Result indicators

Baseline

2015

Target

**Diversity:** The level of diversity is measured in % of woman in management positions, as well as the geographical balance of staff.

% of women in senior and middle management

30.2%

31.2%

40%

Successful recruitment of Croatian citizens

66%

82%

100%

Source: (1. 2. 3. Sysper)

## Main outputs in 2015 (★ Very High priority ● High priority)

- ★ **Adoption and implementation of a Communication on Diversity:** In 2015, Commission reflection on future equal opportunities policy focused on the comprehensive Talent Management Strategy for all staff, a cross-cutting component of which is the concept of diversity and inclusion. On 15 July 2015 the Commission took an administrative decision on targets for women in management over the 2015-19 period. The decision states that each DG must contribute to meeting the overall target by adopting indicative sub-targets for the number of women in middle management. Progress will be reviewed at regular meetings between Commissioners and the Directors-General or Heads of Service under their authority. Women's share of senior management, middle management and non-management administrator grade staff continued to rise in 2015 and Vice-President Georgieva will report to the College in the course of 2016 on progress towards the 40% target.
- Progress towards the achievement of **Croatian nationals** recruitment targets and monitor the Commission's capacity to attract candidates on a broad geographical basis. On 31 December, 82% of the final target had been attained with 151 officials and 55 temporary staff, including seven middle managers. In addition, around 50 other Croatians, mostly contract staff, worked in the Commission in 2015.



# Security

SECURE ORGANISATION

Secure, safe, healthy and sustainable working environment



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

Result indicators <sup>2</sup>	Baseline	2015	Target
<b>Security Indicator:</b> The effectiveness of security actions is measured as the cumulative results of preventive, detective and corrective security measures and ultimately for the staff as the number of incidents that occur.			
1. Satisfaction of customers with the service of the Duty Office with services provided - % of calls with spontaneous positive feedback	65%	75%	70%
2. Advice delivered to Commission mission performers % of missions to high-risk destinations receiving travel advice.	New	100%	100%
3. 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%	99.5%

Source: 1. Evaluation linked to "follow-up calls", 2. HR.DS.2 report, 3. RUE system

### Main outputs in 2015 (★ Very High priority ● High priority)

#### Security

- ★ **Adopt new security rules** to provide sound legal framework and to implement effective measures for the protection of persons, information and assets.
- ★ Implement an action plan on "**Enhanced security measures**" to respond to the current threats.
- **Carry out security training activities**

#### Laissez-Passer

- ★ Implement by November 2015 a new machine-readable EU Laissez-Passer (LP): travel document determining status as an EU official when travelling for missions or when residing outside the EU, if assigned to a Delegation or posted with an international organisation.

#### Luxembourg site

- ★ **Move of Commission services out of the Jean Monnet Building** and relocation to another building as a precautionary measure as a result of the presence of asbestos. The optimisation of office space in existing buildings allowed the rehousing of some Commission departments to the other buildings. The major move operation started in 2015. By early January 2016, some 1000 colleagues will have moved into new premises. The remaining 500 staff still housed in the Jean Monnet building will move to a temporary building provided by the Luxembourg authorities.
- **Review site agreement with Luxembourg authorities.** An agreement was formalised in through an exchange of letters between Vice-President Georgieva and the Luxembourg Minister of Foreign Affairs, Mr Asselborn. The agreement provides that Commission services in Luxembourg will gradually increase, between 2018 and 2022, by up to 250 full time equivalents. As a result the Commission staff proportion in Luxembourg, 11.7% in 2015, will reach 12.5%.

<sup>2</sup> As this represents a new focus and approach, a new set of indicators will need to be developed for its launch. They will be based on different sources and also a specific baseline survey.



Specific objective III.2: Staff work in an attractive working environment

Result indicators <sup>3</sup>	Baseline	2015	Target
<b>Attractiveness Indicator</b> includes the level of staff satisfaction, and the level of sick leave.			
1. % of Staff satisfied or very satisfied with their workplace	71%	N/A	>73%
2. Reduction of sick leave absence rate	4.3%	4.2%	decrease

External factors: Staff satisfaction in the work place greatly depends on actions taken at DG level.

Source:(Sysper 2, Staff Survey)

**Main outputs in 2015** (★ Very High priority ● High priority)

**Foster health of staff enhancing their resilience and performance through the Fit@work' initiative 2014-2019**

- ★ **Fit@work** : During 2015, while the focus was primarily on bringing greater visibility to the existing comprehensive range of health and wellbeing measures, special initiatives were taken in the field of mental health such as a conference "The managers, at the frontline in creating a healthy work environment". At the same time the foundations were laid down for new or more extensive provisions to be developed and implemented within existing resources during 2016-19.
- **Health-Enhancing Physical Activity (HEPA) sports/fitness campaign:** a policy paper on 'Health Enhancing Physical Activity' for the period 2016-19 is well advanced. This will include proposals for monitoring staff levels of physical activity. fit@work was launched at the official opening of the new VM2 sports facility with a fitness evaluation day organised with Institut Francisco Ferrer and the Commission's Sports and Leisure Clubs Association. In addition Staff member have now discounts with 28 gyms and sport centres in Brussels region.
- **Health-Sickness absence management:** DG HR extensively promoted the Guidelines for managers on Sickness Absence Management, including presentations to middles and senior managers in 25 DGs, services and agencies; as well as provision of a proactive training day on sickness absence management.
- **Enhanced flexible working formulas for a better work / life balance:** The approach to working time is more flexible now, and staff can adjust their working hours to their needs, as long as this is also compatible with the Commission's needs. New Commission decisions on teleworking & part-time policy providing additional part-time formula for a 38 hours a week and increasing the annual ceiling for occasional telework from 30 to 60 days per person per calendar year and offers the possibility of even further increases for reasonable personal- or service-related reasons.

**European Schools**

- Safety and security in the schools is a top priority for the Commission and constituted one of the major challenges in 2015. The Commission offered constant support and guidance to the European Schools throughout the year.
- The provision of additional infrastructure is a critical issue given the continually expanding pupil population (+2 % across the whole system in 2015). This is particularly so in the Brussels Schools, representing 46 % of the overall population,

<sup>3</sup> As this represents a new focus and approach, a new set of indicators will need to be developed for its launch. They will be based on different sources and also a specific baseline survey.



Specific objective III.2: Staff work in an attractive working environment

and where the pupil population is growing at a steady rate of around 400 pupils a year. In summer 2015, a working group chaired by the Belgian authorities confirmed the need for additional infrastructure in Brussels. This will lead to the opening of the fifth European School as of the school year 2019-2020 and the continued use of the Berkendael premises until then.

- In 2015, significant progress could be made concerning the financial participation of institutions and bodies with budgetary autonomy to the schooling costs. The Commission concluded contribution agreements with the European Investment Bank, European Investment Fund and the European Stability mechanism concerning the co-financing of the European Schools in Luxembourg, as well as with the Single Resolution Boards for the co-financing of the schools in Brussels. Negotiations with other institutions and bodies are ongoing.
- A new revised Financial Regulation entered into force as of 1 January 2015. Moreover, new guidelines have been issued on the separation of duties to be implemented from the same date and a regular, structured monitoring of audit recommendations has been established. In 2016, discussions will continue on a second revision of the European Schools Financial Regulation. The purpose is to further strengthen and clarify the financial governance and accountability of the European Schools system.



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

Result indicators <sup>4</sup>	Baseline	2015	Target
<b>Ethical Behaviour</b> The impact of DG HR actions in the domain of the management of ethical behaviour is measured by the result of preventive and enforcement action.			
% of staff who are aware of / know ethics and discipline policy and rules	67%	90%	95%
Number of DGs receiving trainings and presentations	New	14	15

Source: Targeted surveys end 2015 & IDOC statistics

### Main outputs in 2015 (★ Very High priority ● High priority)

DG HR fostered value based culture in which the observance of **ethical standards** becomes an intrinsic part of the corporate image and of the professional life of Commission staff members.

- **Update of the implementing rules on ethics:** guidelines on the use of ICT equipment have been revised. DG HR developed a Frequently Asked Questions (FAQ) section to clarify certain specific points of the Guidelines on Gifts and Hospitality guidelines. DG HR also started to review the Commission Decision on outside activities to clarify the obligations of staff who consider engaging themselves in outside activities and to simplify the authorisation procedure.
- **Implement a single one-stop shop electronic approval system** in order to simplify the overall processing of declaration or request for authorisation: Work on automating the main ethics authorisation processes continued in 2015, and a new electronic module was launched as part of SYSPER. It makes it possible for DG HR to electronically process declarations of staff who intend to publish an article or give a speech in public.
- **Develop awareness raising actions.** e-learning course has been launched for all staff aiming at helping staff members to refresh their knowledge of the rules and to reflect on situations where conflicts of interest may arise. Nearly 90% of the around 270 participants was satisfied with the course.
- **Case handling ensuring effective compliance with Staff Regulations** IDOC registered 94 new cases, of which 12 stemmed from requests for assistance by staff members under Article 24 of the Staff Regulations.

<sup>4</sup> As this represents a new focus and approach, a new set of indicators will need to be developed for its launch. They will be based on different sources and also a specific baseline survey.



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

**Result indicators** <sup>5</sup>

Baseline	2015	Target
----------	------	--------

**Sound decisions in reply to complaints on the Staff Regulations** More clarity and clearer communication will result in an increased understanding about the existing rules positively impacting the number of complaints

Proportion of appeal decisions of the Appointing Authority annulled by the Court

14% (5/36)	11% (6/53)	Maintain low level
---------------	---------------	--------------------

Source: DG HR internal monitoring

**Provide clear guidance on the regulatory framework** Legal Helpdesk is an essential tool to support in an effective manner HR services on the Staff Regulations to ensure its compliance.

Satisfaction with Legal Helpdesk service  
Assistance of the Helpdesk meets my business needs & assistance makes me feel confident in meeting challenges

94%	95%	≥94%
-----	-----	------

Source: DG HR internal monitoring

**Main outputs in 2015** (★ Very High priority ● High priority)

**Better & Faster Regulation - Improving clarity and coherence of the legal framework governing staff rules**

- DG HR launched a project to review the Staff Regulations implementing rules with a view to simplify and to ensure a fair and coherent application of the Staff Regulations by Commission services. Part of the Commission's better regulation exercise, this project involves simplifying implementing rules to ensure their alignment with the Commission's HR priorities. The most recently adopted decisions, for example on telework or part-time, already benefited from a review on their scope and coherence to ensure that they are fit for purpose.

<sup>5</sup> As this represents a new focus and approach, a new set of indicators will need to be developed for its launch. They will be based on different sources and also a specific baseline survey.



# PARTNERSHIP

COLLABORATIVE ORGANISATION

Leading the way as a transparent and open public administration



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

Result indicators <sup>6</sup>	Baseline	2015	Target
--------------------------------	----------	------	--------

**Stakeholder satisfaction:** The effectiveness of services delivered to stakeholders & partners will be measured through their level of satisfaction.

Agencies:

Number of ex ante agreements for adoption of Staff Regulations implementing rules\*.

New	11	8
-----	----	---

Satisfaction of Agencies with services and management of the 'helpdesk' function\*\*.

77%	n.a.	80%
-----	------	-----

Institutions: Number of service level agreements on HRMIS signed with new clients

New	0	≥2
-----	---	----

\* DG HR concentrated its efforts to give agencies the necessary legal basis in HR Policy in the most urgent fields and managed in this respect to exceed the target foreseen from 8 to 11.

\*\* No customer survey of the helpdesk function was carried out in 2015.

Source: DG HR information

## Main outputs in 2015 (★ Very High priority ● High priority)

### Internal Communication

- ★ **Internal HR Communication Strategy:** A review of the Commission's policy on Internal Communication and Staff Engagement was launched in 2015, with a revamped strategy and new delivery model expected to be in place in early 2016.
- **Revamped websites 'My IntraComm and 'My HR' Intranet:** My IntraComm's platform has undergone the biggest revamp since its creation, including a new structure and a new visual identity, including new underlying software and hardware infrastructure. Following the upgrade, the corporate homepage of My IntraComm has become the default start page of all Commission staff. It now receives more than 25.000 daily visitors, and averages 50.000 monthly visitors.
- **Video messages:** DG HR continued to use and develop video materials as both popular and effective communication tools to increase the visibility of both staff and senior management. In particular, a new weekly video message from Vice-President Georgieva was launched with the aim of providing staff with immediate feedback from the weekly College Meetings.

### Institutions

- DG HR provides other Commission DGs and other institutions and bodies with a growing number of HR services, including security, medical and training services, and laissez-passer and badges. To date, under the existing SLAs, it has invoiced and charged for these services only partly. In order to harmonise service provision and chargeback practice and allow for the recovery of real average costs for services provided, guidelines for internal and external services were drawn up under the leadership of DG BUDG. DG HR has prepared a detailed costing of its services, a service catalogue and a new set of SLAs.
- In 2015 several EU institutions and bodies expressed interest in using SYSPER as the IT system for their own human resources management. The Commission

<sup>6</sup> As this represents a new focus and approach, a new set of indicators will need to be developed for its launch. They will be based on different sources and also a specific baseline survey.



## PARTNERSHIP

### COLLABORATIVE ORGANISATION

Leading the way as a transparent and open public administration



acknowledges that expanding the use of SYSPER to include other EU institutions would create potential for economies of scale and savings to the EU budget.

#### **EUPAN & relations with Member States, candidate countries & international organisations**

- A Task Force, chaired by Luxembourg and comprising representatives of 12 Member States and the Commission (DG HR), met regularly during 2015. It worked hard on a number of scenarios for the future of administrative cooperation within the network. The starting point of the EUPAN evaluation process was the DGs resolution from Rome (2014), which fixed 3 main areas where reforms could be envisaged: make EUPAN cooperation more relevant and focused with clear deliverables; find an effective way of selecting topics in line with MSs and EU level priorities; focus on ways to develop a shared view and improve the organisation and working method of the network. The final report (entitled "Recommendations for the future of EUPAN", available on [www.eupan.eu](http://www.eupan.eu)) and recommendations for EUPAN's future were presented and endorsed at the meeting of Directors-General held in Luxembourg on 3-4 December 2015.
- In 2015 DG HR continued to support DG NEAR in assessing reforms in the area of civil service and human resources management (e.g. rules on selection /recruitment, appointment, dismissal, evaluation and promotion of civil servants and public employees) in candidate and potential candidate countries, in light of the focus put on the Public Administration Reforms in the enlargement process (the 2014-2015 Enlargement Strategy). Administrative cooperation between the European Commission and the African Union Commission (AUC) was given a new impetus by strengthening the exchanges of best practices and the dialogue on the human resources discussions started having in mind the signature of a new administrative arrangement between the European Commission and the AUC which occurred in January 2016. The staff exchanges program with international organisations (UN, WB, AUC) managed by DG HR was on high demand from the interested services, allowing for officials from various DGs to participate in exchanges with the partner organisations within the allocated budget

#### **Agencies**

- In 2015, the Commission issued eleven model decisions - for example on the engagement and use of temporary staff, appraisal, promotion, reclassification and working time - to be adopted by agencies. These models are expected to lead to smoother implementation of the Staff Regulations and to a rationalisation of resources in the Commission and agencies.

#### **Social Dialogue**

- Vice-President Georgieva has made it practice to meet staff representatives every three months. One meeting (structured meeting) with the Presidents of the representative Trade Unions and Staff Associations (for which the French acronym is 'OSPs') and the President of the Central Staff Committee every quarter and one meeting (plenary meeting) with all Presidents of OSPs and all Chairpersons of Staff Committees every year.

#### **HR Professionalisation**

- In 2015, hundreds of HR colleagues improved their capacity to deliver efficient and effective solutions by participating in learning and development activities organised under the Programme. HR staff from the Commission and other Institutions attended 'HR pills', HR masterclasses.

## **MANAGEMENT AND INTERNAL CONTROL**

### SOUND RESOURCES MANAGEMENT





# MANAGEMENT AND INTERNAL CONTROL

## SOUND RESOURCES MANAGEMENT



This section reports on the DG's control environment, the control results and other relevant elements that support managements' assurance. It includes information on the control environment and risks; the financial control results, audit observations and recommendations, and the effectiveness of the internal control system. The section is concluded with an overview of all elements that contribute to the DG's assurance statement.

### CONTROL ENVIRONMENT AND FINANCIAL RISKS

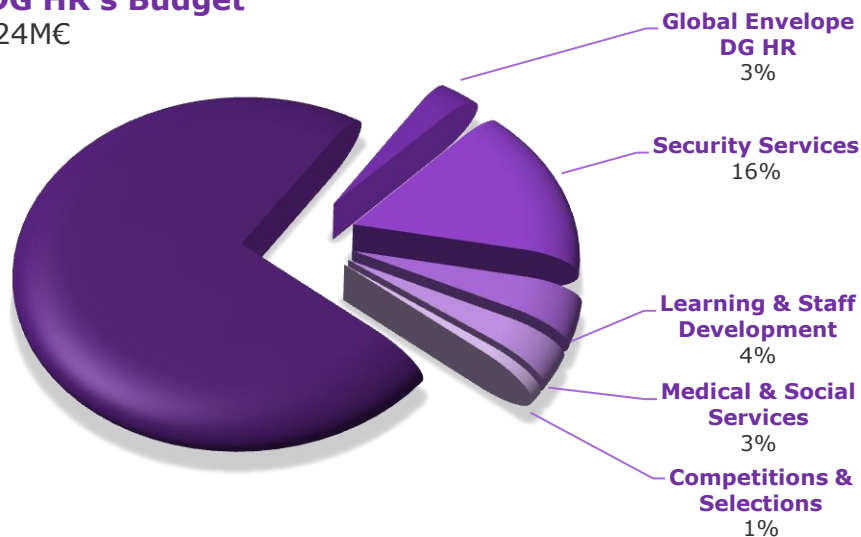
#### Overview of the Budget

DG HR's institutional budget of 224M€ is implemented under centralised direct management. Three quarters of the budget is earmarked as financial contributions for the European Schools. The remainder of the budget ~61M€ is used, in the main, for purchases for the Commission's security and medical services and for learning and development activities.

#### Division of DG HR's Budget

224M€

European Schools  
73%



#### Additional Revenue: SLAs and European Schools

In addition to the institutional budget, DG HR manages around **8.4M€ of revenue**, corresponding to ~4% of the budget, from other institutions and bodies. This income is used to cover the extra costs incurred in order to provide HR services to a broader client base. Prior to offering services to third parties, DG HR ensures that it would be mutually beneficial in terms of economies of scale and overall cost savings, improved synergies and coherence for better results. The agreements that underpin these income generating transactions are referred to as service level agreements (SLAs).

A further **~8M€ of funding emanating from third parties is transferred to the European Schools<sup>7</sup>**. The income corresponds to financial contributions from Agencies and Institutions that operate in the cities where the schools are present. The funds received from different entities are all used to finance the schools. This income is not

<sup>7</sup>

Refers mainly to 'type 2' European schools that operate in the cities where these financing entities are located e.g. in Helsinki, Strasbourg, Den Haag, Tallinn and Parma.



# MANAGEMENT AND INTERNAL CONTROL

## SOUND RESOURCES MANAGEMENT



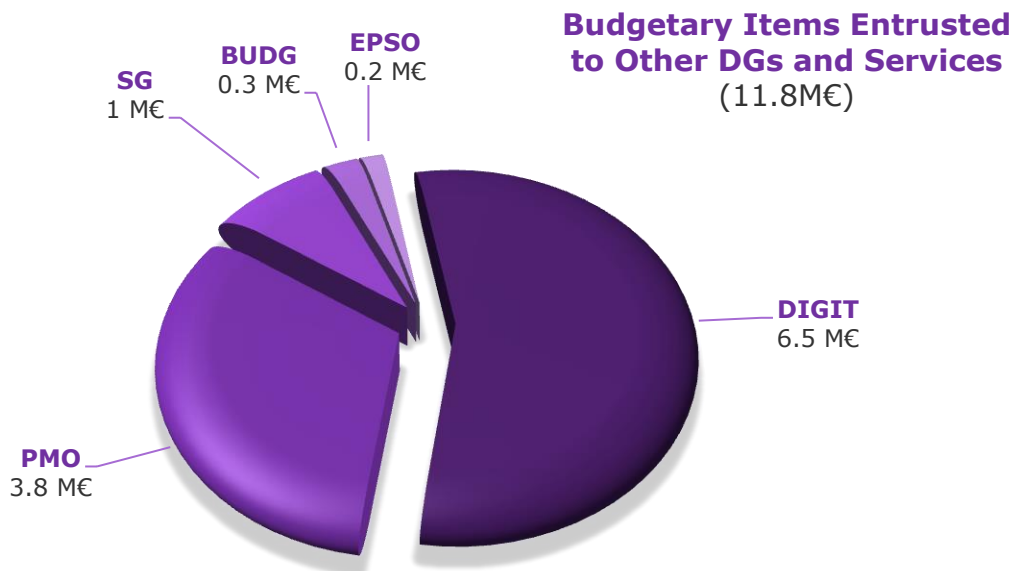
used to cover DG HR's operations (See also 'Cross Sub-Delegations').

### Budget implementation tasks entrusted to others: Cross Sub Delegations

DG HR entrusted 5% of its 2015 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, some ~12M€, was entrusted to DIGIT for technical support services associated with DG HR's Information Systems and to the PMO to cover various aspects of staff expenditure and notably missions costs, medical costs, fellowships and study visits.

### Budget implementation tasks entrusted to others: Cross Sub Delegations

DG HR entrusted 5% of its 2015 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, some ~12M€, was entrusted to **DIGIT** for technical support services associated with DG HR's Information Systems and to the **PMO** to cover various aspects of staff expenditure and notably missions costs, medical costs, fellowships and study visits.



Staff Support, Learning & Development to **SG**, Learning & Development in Financial Management to **BUDG** and ERASMUS for Traineeship for national civil servants to **EPSO** complete the budgetary items entrusted to other DGs

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. Consequently, we can conclude that there are no control weaknesses affecting the assurance statement the DG.

DG HR manages **Cross Sub Delegated credits from other DGs**. These credits are in the main associated with interim staffing services. The following items are also covered by cross sub-delegations from other DGs:

- The shared resource Directorate within DG HR offers local HR, finance and internal control services to EPSO, EUSA and the IAS. It also executes a part of the budget of these services. The associated financial operations concern administrative expenditure and mainly to cover missions costs, expert services



## MANAGEMENT AND INTERNAL CONTROL

### SOUND RESOURCES MANAGEMENT



and representation costs.

- 400K€ of the JRC budget was made available to DG HR in order to cover the costs of medical and social support services on the JRC sites.
- Payment appropriations from DG GROW were available to DG HR's Security Directorate for the purpose of setting-up a secured zone in their premises. These credits were not used in 2015.

#### The European Schools: A distinct and separate mandate

DG HR's mandate may be associated with supporting the European Schools. However the schools have a distinct and separate mandate which is defined in terms of educating children and they are governed by an intergovernmental convention. The fulfilment of this 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 in which the European Commission is represented with 1 vote.

#### Financial Risks: The Type of Financial Operations Managed

##### Effective and Efficient Financial Control

- Riskier transactions are subjected to more stringent and centralised scrutiny than low risk transactions.
- More senior and highly qualified staff process the riskier transactions.
- Workflows foresee grouping of low-value payments.

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

In 2015 DG HR dealt with ~10,000 transactions. There was a significant drop in transactions processed when compared to 2014 because of the transfer of payment responsibilities, for medical reimbursements to staff, to the PMO and a reduction in payments for interim staffing.

**The average<sup>8</sup> amount associated with DG HR's payments in 2015, at ~8,500€, remains low.** Moreover, many of the payments are routine in nature. Around 30% of them are associated with interim staffing services. The approval workflow of these payments is highly automated. Small and regular payment claims are dealt with *en masse* to limit the manual intervention required for the authorisation process.

**The highest value transactions are associated with the European Schools.** The average amount of an associated payment to the schools is over 2M€ and collectively these payments account for over **70% of the total amount paid<sup>9</sup>**. The payments are highly regulated and the **risks of paying the wrong amount or the wrong beneficiary are extremely limited.**

The part of the annual budget, some 60M€, executed for procured goods and services each year is not considered as the basis for assessing the risks associated with procurement activities in DG HR. The reason for this is that **DG HR's work on tendering procedures relate to multiannual and often inter-institutional**

<sup>8</sup>This average does not take account of the relatively small number of exceptionally high value payments to the European Schools.

<sup>9</sup> The total amount paid in 2015 was 259M€



# MANAGEMENT AND INTERNAL CONTROL

## SOUND RESOURCES MANAGEMENT



### **contracts whose total values are well in excess of the DG's own annual budget.**

In 2015, contracts worth 460M€<sup>10</sup> were awarded. Moreover DG HR's shared Resource Directorate supports other administrative services, EPSO, EUSA and PMO. Of the 16 tenders concluded in 2015, under the supervision of DG HR, two were awarded by EPSO/EUSA and one by the PMO. Important financial, legal and reputational risks are associated with DG HR's procurement activities and the tendering procedures for all large value contract awards are therefore subjected to intense and highly centralised controls.

### 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.

In 2015 DG HR implemented the centralisation of payment processing for all but two Directorates i.e. those with significant financial activities. Thus payments for small-spending units and Directorates are authorised by the central finance unit. Decentralised circuits are in place for establishing commitments with third parties but controls on the tendering procedures for high value contracts are centralised.

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

In accordance with art.4.8 of Charter of tasks and responsibilities of authorising officers by sub delegation, authorising officers report regularly to the Director General on the implementation of operations or measures which have been entrusted to them. 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 provide an overview of the situation in their Directorates. They must highlight any risks or control weaknesses to the Director General.

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 respected;

<sup>10</sup>Important contracts awarded for Security Guards and Interim Staffing services contributed significantly to this amount. The amount includes contracts managed by DG HR for EPSO. The value associated with all procurement contracts (awarded and ongoing) is 510M€.



## MANAGEMENT AND INTERNAL CONTROL

### SOUND RESOURCES MANAGEMENT



- Regular reviews of important procurement files are sampled and scrutinised by the Administrative DGs' inter-service group on public procurement (GAMA<sup>11</sup>).

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 random, representative sample of transactions selected by the finance unit<sup>12</sup>. In 2015 the methodology was reviewed and notably the controls performed by the Directors were aligned with those of the central finance unit. A second objective of the ex post control campaigns is to identify and remedy any control weaknesses in financial management.

### Control Results

#### Overview of the Budget

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



**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

The active authorising officers, forty-three staff as of 31<sup>st</sup> December, submitted reports to support the assurance statement of the Director General. Those who took over the functions from the departing staff also provided assurance regarding the smooth-running of the handover. 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 fifteen issues related to the non-respect of standard procedures in financial**

<sup>11</sup>DG HR plays an active role in the public procurement advisory committee 'GAMA' (Groupe d'Analyse des Marchés Administratifs), with EPSO, IAS, PMO, OIB, OIL and DG DIGIT).

<sup>12</sup>The Directors perform additional controls on a risk based sample that they select themselves.



# MANAGEMENT AND INTERNAL CONTROL

## SOUND RESOURCES MANAGEMENT



**management.** The amount at risk associated with the exceptions is estimated at 100,000€.

- Nine non-compliance events or errors were associated with issues that had no financial impact but that may entail extra risks for the organisation e.g. entering into a legal commitment without first ensuring that the budget appropriations were available. 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 thoroughly assessed prior to an exceptional procedures being adopted.
  - Two exceptions were approved in order to respond rapidly to the terrorism security risks that affected Brussels late in 2015;
  - Two were approved to guarantee business continuity;
  - One exception is associated with the highly specific nature of a limited number of operations within the medical service. It concerns the selection of medical services. The associated procedure is being reviewed;

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.

### Coverage of the Internal Control Objectives: Ex Post Controls

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, 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.

The ex post control campaign covered 262 transactions worth 43M€, representing 20% of the annual budget. The sampling method used was random and stratified taking into consideration the expenditure in two main sub populations: European Schools; and the procured goods and services<sup>13</sup>. The sample was designed in order to give rise to a meaningful result.

#### Control Coverage associated with Transactions

Type of transaction	Number Ex post controls	€ Value associated with the sample	% of total Approved Budget covered by the sample
Commitments	40	1.4M€ *	1%
Payments	204	39.5M€	18%
Recovery orders	18	2.2M€	28%
<b>Total</b>	<b>262</b>	<b>43 M€</b>	<b>20%</b>

\* When carrying out controls on 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.

94% of the total transactions checked in the ex-post controls were acceptable some had

<sup>13</sup>A further stratification related to payments to interim staff within the 'procured goods/services' population was introduced to the sampling method. This was done to avoid selecting a large number of similar low value, low risk transactions.



## MANAGEMENT AND INTERNAL CONTROL

### SOUND RESOURCES MANAGEMENT



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 0.2% of the value of the controlled amount.

The nature of the errors generally would 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 application of the financial circuits.

#### Results for the Procured Goods & Services Sub Population

The amounts associated with the checks on transactions on procured goods and services correspond to 19% of the total amount spent. There is a relatively large number of low value transactions in this sub population and the scope for error is higher due to complexities associated with procurement procedures and contract management issues. The results of the controls illustrate an error rate for this sub-population of 0.2%. These errors are, as stated previously not associated with material losses but rather increased risks in terms of sound financial management e.g. lack of supporting documents and procedural errors with no impact on the amounts due for payment.

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

Transaction type	Number Ex post controls	€ Value associated with the sample
Commitments	38	0.9M€
Payments	193	8.2M€
Recovery orders	17	0.9M€
<b>Total</b>	<b>248</b>	<b>10M€</b> 19% 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 20% of the total 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
Commitments	2	0.5M€
Payments	11	31.3M€
Recovery orders	1	1.3M€
<b>Total</b>	<b>14</b>	<b>33 M€</b> 20% European Schools Budget

#### Estimated Error Rate using Weighted Average

Considering that 73% 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 **0.1%**.

Type of expenditure	Estimated Error rate	% Total Budget
Procurement and Other expenses	0.2%	27%



# MANAGEMENT AND INTERNAL CONTROL

## SOUND RESOURCES MANAGEMENT



Contribution to the European Schools	0.0%	73%
<b>Total</b>	<b>0.1%</b>	<b>100%</b>

### 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. In case the procurement is deemed irregular, the authorising officer will generally take the necessary remedial measures<sup>14</sup> prior to awarding the contract.

In 2015, the GAMA examined 8 of the 16 files managed by DG HR that were eligible for a GAMA check and opinion. The group issued positive opinions for all 8 files controlled.

#### Risk-based ex ante checks by GAMA:

Transaction type	DG HR Managed Procurements eligible for GAMA checks		
	Total in 2015	Checked Ex Ante by GAMA	Proportion With errors (%)
N° procurement procedures	16	8	0%
Value associated with high risk procurement procedures	460M€	409M€	0%

### Control effectiveness as regards legality and regularity

As explained above, 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, taking into account 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 have 'unacceptable' results<sup>15</sup>, has been amply met. Moreover this objective has been met for both keys 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 2015 payments made is 100K€ (based on the exceptions recorded). This is the AOD's best, conservative estimation of the amount of expenditure authorised during the year that are at risk of not being in conformity with the applicable contractual and regulatory provisions at the time the payment was made.

This expenditure has been subject to ex-post controls and the proportion of the underlying error detected is 0.2%. These errors are not associated with undue payments. The conservatively estimated corrections that will need to be made for 2015 payments in the future are negligible. Corrective measures, notably in terms of internal control system improvements, will be implemented in successive years.

<sup>14</sup>The GAMA cannot take the decision-making power from the authorising officer in charge. In most cases a procedure with a negative GAMA opinion will be re-started or abandoned.

<sup>15</sup> More details on the materiality criteria can be found in Annex 4,



## MANAGEMENT AND INTERNAL CONTROL

### SOUND RESOURCES MANAGEMENT



#### Efficiency and Cost-Effectiveness of Control

DG HR has estimated the costs associated with its key financial controls. The benefits of preventative controls, although significant in the context of DG HR's operations, are not quantifiable. They are consequently not taken into account in the calculations below. Compared to many other DGs, DG HR does not have a large budget and since the error rate is also very low, it follows that the amounts associated with the recovery of funds for erroneous payments are negligible. When such monies are due, DG HR fulfils its duty to protect the Communities' budget. All undue payments are recovered whenever possible.

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 1.9M€ of staff costs were invested in controlling procurement procedures for contracts with an estimated total value of 510M€<sup>16</sup>. Thus 0.4% of the total contract value was dedicated to control and the benefit: cost ratio is estimated at €272.

For financial transactions an estimated €5.4M was invested in controlling 10,000 transactions (commitments, payments and recovery orders) worth a sum total of over €540M. An estimated 4.7M€ was dedicated to payment processing. This corresponds to <6% of the total of amount paid for procured goods and services (~80M€).

An estimated €0.1M was invested in ex post controls on 243 financial transactions pertaining to DG HR and a further 52 pertaining to EPSO/EUSA. Therefore each transaction or procedure checked cost an estimated €316.

All in all, an estimated 7.4M€ were invested in control activities. If we consider this in terms of the total amount paid on the procurement and other expenses budget i.e. some 80M€, the cost of control indicator for this part of the budget is 9%. If the value of the procurement contracts that the controllers have worked on (510M€) are taken into account, the cost of control indicator for procurement-related activities drops to 1%<sup>17</sup>.

#### Efficiency indicators for the financial contribution to European schools

Payments made in association with financial contribution to the European Schools in 2015 totalled ~179M€. The estimated costs of controlling the associated financial management overall is around 0.2M€ (staff costs). Thus 0.1% of the total of the European Schools budget was dedicated to control.

<sup>16</sup> This amount corresponds to the tendering procedures managed in 2015 (awarded or ongoing). The amounts associated with tendering are multiannual and often inter-institutional. They include work to support EPSO, EUSA and PMO tendering.

<sup>17</sup> This figure does not take account of the further efficiency gains that have been made due to the fact that DG HR's financial controls also cover transactions of EPSO/EUSA and the IAS.



## MANAGEMENT AND INTERNAL CONTROL

### SOUND RESOURCES MANAGEMENT



#### 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 budget dedicated to financial control is 2.9%. Understandably, the cost of control for the procurement budget 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 (totalling ~70% of total amount paid).

	Budget	Estimated % Budget dedicated to control
Procured Goods: Payments	80M€	9.2%
European School	179M€	0.1%
DG HR's Annual Budget in Payments (only)	259M€	<b>2.9%</b>

The cost of controls on procurement procedures and financial transaction processing, amount to 1% of the total amount concerned by the contract values and the payments executed (769M€).

	Amount Associated with Controls	Estimated % Amount dedicated to control
Procurement Procedures Ex Ante Control	510M€	0.4%
Procurement Procedures & Transactions Control	769M€	<b>1%</b>

The resources dedicated to control were stable in 2015. DG HR continues to make efforts to improve the efficiency of financial processes, to improve the quality of work and this inevitably results in efficiency gains for the organisation. Initiatives to share resources, to develop clearer instructions so as to avoid errors or corrections and re-working have borne fruit. This is demonstrated by the control results. Moreover many of the risks associated with poor financial management (risk of errors, legal proceedings) which are avoided through effective controls are not quantifiable. The resources dedicated to control are aligned with the associated risks and DG HR concludes that the cost-benefit of control is acceptable.

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

#### Payment Delays

DG HR adopted a generic efficiency indicator related to the time taken to pay (see annex 3). In 2015, DG HR failed to meet its target to make 95% of all payments on time. The payment delays were localised and associated with a large number of low value payments for medical check-up reimbursements. Indeed, although a relatively large number of payments were affected by delays, the amount associated with them was 1% of the total paid. The principle cause of the delay was the numerous payments that were not dealt with in 2014. The backlog of payments was cleared and by the end of 2015 payment times were back to normal.



#### Fraud prevention and detection

DG HR has developed its anti-fraud strategy as foreseen in the Commission's overall anti-fraud strategy<sup>18</sup>. Many anti-fraud measures have already been implemented and appropriate controls are in place. In 2015 financial circuits were further centralised and authorising officers were 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.

As part of reinforcement of awareness raising on professional ethics in the Commission, a new on-line training course on "Ethics principles in the European Commission" was developed and is available to all staff. It concerns avoiding conflicts of interest but also how to maintain the highest standards of behaviour in the institution. In the end of 2015 when it was launched 271 staff members participated in the course and the average overall satisfaction rate is close to 90%. Furthermore the number of interactive presentations on ethics rules across DGs and Agencies was intensified in 2015. In Dg HR a specific anti-fraud session was organised for all financial and operational staff involved in contract management and control (the FINOP community).

The Practical Guide to Staff Ethics and Conduct was been reviewed to make the guide more user-friendly to staff. In addition the Commission Decision on outside activity C (2013) 9037 is under a process of revision mainly to simplify the rules with a view to making them easier to apply and then to guarantee a higher rate and quality of enforcement by the staff. Lastly, the annual activity report of IDOC, which is part of DG HR, was widely distributed amongst Commission staff. This report gives an overview of cases handled by this office and sanctions imposed, serving as a reminder to staff of the ethics rules and highlighting the fact that breaches these rules can have serious consequences.

In terms of indicators, the internal control coordinator is not aware of any cases of fraud having been reported in 2015.

---

<sup>18</sup> COM(2011) 376 24.06.2011.



#### Safeguarding of Assets and Information

DG HR's assets, as booked in the accounts (Annex 3), consist of internally developed IT Projects. They are thus intangible<sup>19</sup>, non-current assets worth 2.9M€. They correspond to IT Projects which are in production, worth 3.7M€, (including Modules of the Sysper Human Resource Management System) which are amortised each year (-1.6M€ in 2015). Two new IT projects: a Learning Management System and an HR Data Governance program, were started in 2015 but they are not yet in production. They are estimated with a value of 0.8M€.

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 breach/leak of personal data and breach/leak of sensitive data. DG HR manages several IT systems storing personal data (SysPer, e-Sire, SerMed, HR Business Intelligence, ...). DG HR decision making processes use, inter alia, reports based on these systems. The security of these systems is monitored and improved when appropriate.

During 2015, one security breach occurred. After a technical update to SYSPER carried out by DIGIT, career summary data was made visible to Commission staff who are not normally authorised to have such access in SYSPER and this for a period of 2 weeks. At no time any data was accessible to persons other than registered Commission users of SYSPER, and at no time did anyone have the possibility to modify the data.

The list of access logs was analysed by DIGIT and Ms Souka in her quality as data controller informed all staff via My Intracomm and staff whose career info had been accessed via personal email. DIGIT assured that the associated technical procedures were immediately updated. Moreover, the incident will be further examined to ensure that similar incidents do not occur in the future.

A major development in 2015 concerned Commission Decision C(2015)618, aiming at increasing the level of protection for personal data stored in Human Resources Management Information Systems (HRMIS), following the development of enhanced HR Reporting and Analytics capabilities. The decision creates corporate HR reporting Services in DG HR and clarifies in particular the reasons for permitting access to HR data Commission-wide. This will enable effective and efficient fact-based human resource management in the Commission. It also provides for the possibility to offer reporting services as part of service agreements with other EU institutions and bodies that use the same HRMIS. A major development of enhanced HR Reporting capabilities is the full centralisation of HR Reporting Services and reinforcement of compliance activities at corporate level.

Moreover a data governance programme will continue in 2016 which one of the objectives is to provide reasonable assurance of compliance with data protection and information security requirements and to provide privacy by design for used data and information across the HR family of systems (HRMIS). This will include an impact assessment of C(3602) and (EC) 45/2001 concerning HRM Information Systems and specific developments to achieve compliance in order to better address the risks of data breaches and leaks of personal and sensitive data.

---

<sup>19</sup> DG HR is not an inventory centre. All the tangible assets purchased are inventoried by OIB/OIL & DIGIT and are transferred to their balance sheet.



### Audit Observations and Recommendations

This section reports and assesses the observations, opinions and conclusions reported by auditors in their reports as well as the opinion of the Internal Auditor on the state of control, together with any management measures taken in response to the audit recommendations.

#### The Internal Audit service (IAS)

All but one of the recommendations issued in former years were successfully followed up or closed in 2015:

- Performance audit on planning stage of selection process,
- The Management of Building Procurement Contracts by DG HR and OIB,
- Ethics in the Commission,
- Management and Monitoring of Staff Allocation in the Commission Services.

No outstanding very important or critical IAS audit recommendations

DG HR was associated with two audits issued in 2015 on:

- "The Management of Absenteeism in the Offices"
- "Information Security Governance in the Commission"

The Internal Auditor issued a satisfactory opinion on the state of internal control.

Currently in DG HR there are no recommendations overdue for >6 months. The single outstanding recommendation, referred to above was about documenting security procedures and it was not classed as either 'Very Important' or 'Critical'. The follow-up work, which was scheduled for completion by the year-end, has now been concluded to all intents and purposes.

Two new audit reports were issued by the IAS late in 2015 and DG HR has drawn up the relative action plans to address the auditors' recommendations. All very important recommendations were accepted although one was accepted only partially. The audits related to:

- **'Information Security Governance in the Commission'**: it aimed at improving the governance arrangements in the Commission as a whole and the recommendations were addressed to DG HR alongside DIGIT and Sec Gen. Four recommendations, considered to be very important, highlighted 1) A need for a review of the information security governance structures (recommendation accepted partially); 2) A need to consolidate the risks identified by the DGs at the corporate level; 3) A need for a corporate information security strategy and to control the adequacy of data classification; and 4) A need to establish an information security programme.
- **'The Management of Absenteeism in the Offices'**: The report, issued in November, was addressed to the Offices and DG HR was associated with the audit to address corporate issues DG HR. The recommendations, three of which were classed as very important, called for 1) improved performance indicators and reporting tools and 2) better support and guidelines for managers, particularly in the offices, and 3) more harmonised medical controls.

The annual opinion of the Internal Auditor on the state of control of the DG takes account of the fact that:

- for the accepted recommendations made by the IAS and the IACs in 2013-2015, management has adopted plans to implement them which the IAS considers adequate to address the residual risks identified by



# MANAGEMENT AND INTERNAL CONTROL

## SOUND RESOURCES MANAGEMENT



the auditors,

- the implementation of these plans is monitored through reports by management and through follow-up audits by the IAS,
- management has assessed a number of action plans not yet followed up by the IAS as implemented, and
- management has partially rejected one very important recommendation and has accepted the residual risks which are considered by the auditors as high.

The IAS concludes that the internal control systems audited are overall working satisfactorily although a number of very important findings remain to be addressed in line with the agreed action plans. These action plans relate to 2015 audits and they are as such in their very early stages of implementation. The Internal Auditor advises DG HR to pay particular attention to the outstanding actions to be taken to improve information security. This issue is addressed above and on Page 31.

### The European Court of Auditors

Work to address the remaining recommendations associated with the Special Report of the Court of Auditors on "The effectiveness of staff development in the European Commission" was recently reviewed by the Court. All but one of the 24 recommendations were deemed to have been either effectively implemented or implemented in most respects.

The outstanding recommendation highlights a need to develop objective indicators to measure progress towards achieving organisational goals resulting from development actions. The aim is to allow the Commission to better evaluate the effectiveness of its development actions.

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

**Low error rate <1% confirmed by ECA**

**Special reports issued in previous years being effectively addressed:**

- o "The effectiveness of staff development in the European Commission", 2013
- o "How do the EU institutions and bodies calculate, reduce and offset their greenhouse gas emissions", 2014

The follow-up work related to four recommendations issued in a 2014 Special entitled: "How do the EU institutions and bodies calculate, reduce and offset their greenhouse gas emissions" is on track for successful conclusion.

The DG was associated with a special report issued in 2015 on the set-up of the 'Task Force for Greece'. No recommendations were addressed to DG HR.

The audits, particularly those involving several DGs and services, have provided DG HR with valuable information which will help to improve its 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. This is evidenced by the successful implementation of action plans in 2015. The recent recommendations are seen as useful to improve DG HR's service offer. They do not however have a material impact on the achievement of the internal control objectives, and therefore on assurance of the DG as a whole.



### Assessment of the effectiveness of the internal control systems

This section reports and assesses the observations, opinions and conclusions reported by auditors in their reports as well as the opinion of the Internal Auditor on the state of control, together with any management measures taken in response to the audit recommendations.

The Commission has adopted a set of internal control standards, based on international good practice, aimed to ensure the achievement of policy and operational objectives. In addition, as regards financial management, compliance with these standards 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 control objectives, in accordance with the standards and having due regard to the risks associated with the environment in which it operates.

#### INTERNAL CONTROL SYSTEMS

DG HR has put in place the organisational structure and the internal control systems to ensure that the Commission's internal control standards are effectively implemented.

Internal control coordinator carries out regular reviews to check on the implementation of the Internal Control Standards.

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

Concerning the overall state of the internal control system, DG HR complies with the three assessment criteria for control effectiveness.

- Staff capacity: staff having the required knowledge and skills;
- Capacity of systems and procedures: systems and procedures are designed and implemented to manage the key risks;
- Experience of the operation of the control system: no instance of ineffective controls that have exposed the DG to important risks (operational effectiveness).

In conclusion, the internal control standards are effectively implemented and functioning.



### Conclusions as Regards Assurance

This section reviews the assessment of the elements reported above (in Sections 2.1, 2.2 and 2.3) and draw conclusions supporting the declaration of assurance and namely, 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,
- ✓ Assurance received from cross-sub-delegations given to other DGs,
- ✓ Absence of grants and limited asset management, which are notoriously risky areas of financial management,
- ✓ Positive assurance on administrative expenditure given by the Court of Auditors for several years, and again in the annual report issued in 2015,
- ✓ Conclusions of the ex-post controls (no issues with significant financial impact),
- ✓ Positive feedback received from GAMA concerning procurement procedures,
- ✓ Monitoring, registration and analysis of exceptions reports and non-compliance events (minor events reported),
- ✓ No outstanding audit recommendations that are very important or critical coupled with a statement from the IAS in their audit opinion,
- ✓ Critical risks are identified and they are the subject of management attention; mitigating actions are defined and implemented.

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

#### The Issue of the European Schools

In 2015 DG HR, and indeed the Commission as a whole, was very proactive in supporting the European Schools to address the 40 recommendations to be followed-up by them and it remains committed to assisting the Schools. The Commission cannot, however, substitute for the Schools' management which ultimately is responsible for taking the necessary measures to address the concerns raised by the Court and by other auditing and control bodies. The following aspects illustrate the proactive approach adopted:

DG HR requested the establishment of an audit follow-up committee to regularly review the status of work done to address the recommendations and to report twice a year to the Budgetary Committee and the Board of Governors. The Commission participated, with representatives from DG HR and the IAS, in this follow-up group and whenever the schools faced difficulties to effectively address a recommendation, advice and pragmatic



## MANAGEMENT AND INTERNAL CONTROL

### SOUND RESOURCES MANAGEMENT



tools to assist were provided, e.g. risk assessment, templates to establish the programming and reporting systems, Internal Control Standards, establishment of training plans etc. In addition, DG HR made an offer to establish a Service Level Agreement with the Secretary-General of the European Schools to allow the Schools or the Central Office to participate in trainings organised by the Commission in specific areas of concern, e.g. internal control, finance/budget and procurement. OLAF also provided assistance in both developing and effectively implementing an anti-fraud strategy and internal control systems.

Given the issues highlighted by the Court and the IAS, DG HR proactively presented a proposal to the Schools' Secretary-General, in the context of a Working Group on the revision of the Financial Regulation, for a more modern governance framework for the Schools. The Commission awaits a formal response on its proposal.

Furthermore, DG HR has requested regular meetings with the Court of Auditors to obtain feedback on their perceptions of the situation in the Schools. The recent feedback from the Court suggests that things are improving. Indeed, progress appears to have been made and the Schools now report that they have addressed around one third of the recommendations and that they are working on another third.

DG HR is not in a position to ensure that the Schools and the Secretary-General Office will quickly implement the recommendations addressed to them by the Court of Auditors. However it has done everything in its power to improve the situation and it will continue to do so.

The Commission is the only Member of the Board that voted against the discharge of the Schools the last two years because it recognised the need to mitigate the risks associated with the Court's findings. The Commission relies on the commitment of the other Members on the Board to support its position and to take the necessary measures to improve the financial management and governance of the Schools. DG HR will nonetheless continue to be a proactive player in the context of the decision-making bodies in this field.

#### 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 his capacity as Authorising Officer by Delegation has signed the Declaration of Assurance.

Whilst the Director General is in a good position to provide her assurance declaration for 2015 based on her financial management and internal control responsibilities, a reputational reservation, also included in the two previous reports, has been maintained. The reservation is associated with reputational damage linked to the mismanagement of funds by one of the European Schools and weaknesses in the Schools' accounting and control systems.



### DECLARATION OF ASSURANCE AND RESERVATION

---

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<sup>20</sup>.

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 Auditor, and the observations 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.

However, a reservation should be noted; Given the Court of Auditors' findings relating to the identification of irregularities linked to potential fraud in relation to one European School, a reputational reservation on part of the European Schools' budget was issued in the AAR 2013 and it continues to be maintained in this AAR.

Brussels, date 31 March 2016



**Irene SOUKA**  
Director-General of DG HR

---

<sup>20</sup> True and fair in this context means a reliable, complete and correct view on the state of affairs in DG HR.



# MANAGEMENT AND INTERNAL CONTROL

## SOUND RESOURCES MANAGEMENT



### RESERVATION 1

No	Title	Type	Amount at risk	ABB amount concerned
1	Continuation of 2013 Reservation on reputational grounds related to possible fraud* in one European School (type I).	Reputational	N/A	N/A

\* The suspected fraud took place in previous years; the 2013 CoA report refers to irregular payments having been detected during 2003-2012.

Title of the reservation	Reservation on reputational grounds related to possible fraud in one of the European Schools
Domain	N/A Reputational Reservation.  Payments to the school are made under a form of 'Direct management. The schools are rather autonomous in their subsequent management of appropriations.
ABB activity and amount affected	26.017002 European School Brussels I Total amount of Payments made €26 million
Reason for the reservation	Reservation on reputational grounds following Court of Auditors' findings in the context of the report on the annual accounts of the European Schools related to the continuing accounting and control weaknesses and to the identification of irregularities linked to potential fraud in relation to one European School.
Materiality criterion/criteria	The Commission's reputation may be at stake despite the fact that the Commission exercises limited control over the management of the Schools.
Quantification of the impact	Not a financial reservation
Impact on the assurance	The original reservation was made on the grounds that resources may not be used for the intended purpose. Measures to deal with the fraudulent activity are in place.
Responsibility for the weakness	The Director of the School Brussels I is Authorising Officer. The governance of the European Schools System is ensured by the Board of Governors (in which the European Commission has 1 vote on 30).
Responsibility for the corrective action	Support to the European Schools to update their financial management practices. Coordinate efforts within to Commission to help make important changes to the regulatory framework. Resulted in a recast Financial Regulation for the Schools which entered into force in January 2015 and in a second revision which has been initiated. The Schools' Board of Governors will continue to work to Address Financial and Control Weaknesses in 2016.