



European
Commission

Annual Activity Report 2023

INTERNAL AUDIT SERVICE

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THE INTERNAL AUDIT SERVICE IN BRIEF

The Internal Audit Service (IAS) is an independent central service in the European Commission, led by the Commission's Internal Auditor¹.

Its mission² is **to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight**. The IAS helps the audited entities accomplish their objectives by bringing a systematic, disciplined approach in order to evaluate and improve the effectiveness of risk management, control and governance processes.



By providing assurance to the audited entities and the College of Commissioners, the IAS directly **contributes to the Commission's general objective of creating a modern, high-performing European public administration, increasing public confidence in the European Union and enhancing its image**. Indirectly, it also **contributes to the overall political ambitions and objectives of our institution and of the European Union** by auditing management and control systems and providing assurance on the effectiveness of risk management, control, and governance processes to European Commission services, the European External Action Service, executive agencies, the European Data Protection Supervisor, the European Schools as well as the EU agencies and other autonomous bodies receiving contributions from the EU budget (hereinafter called 'audited entities'). The IAS can also provide consulting services.



The IAS conducts its internal audit activities in accordance with the governance arrangements of the European Commission, the Financial Regulation (FR)³, the International Standards for the Professional Practice of Internal Auditing (the Standards)⁴ and the Code of Ethics of the Institute of Internal Auditors (IIA)⁵. It works in an open and transparent manner, meeting the expected high level

of professional and ethical standards. It reports and is functionally accountable to the Audit Progress Committee (APC) regarding its audit activities in the Commission and executive agencies. For its work in decentralised EU agencies and other autonomous bodies, the IAS reports functionally to the Board and the Director of each respective entity.

Under the von der Leyen Commission, the IAS falls under the portfolio of the Commissioner for Justice, Mr Didier Reynders.

¹ Until May 2023 the function of Director-General of the IAS was performed by Dr Manfred Kraff, followed by Mrs Cristiana Giacobbo in acting capacity. Mrs Agnieszka Kaźmierczak took up duties as Director-General of the IAS and Internal Auditor of the Commission in October 2023.

² Mission Charter for the Commission and Executive agencies C(2022) 8450 of 28.11.2022. For EU agencies and other autonomous bodies, the IAS signs individual Mission Charters.

³ Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union.

⁴ <https://na.theiia.org/standards-guidance/Public%20Documents/IPPF-Standards-2017.pdf>

⁵ The IIA code of ethics describes the minimum requirements for conduct for the profession of internal auditing.

EXECUTIVE SUMMARY

This Annual Activity Report is a management report of the Director-General of the IAS to the College of Commissioners. Annual Activity Reports are the main instrument of management accountability within the Commission and constitute the basis on which the College takes political responsibility for the decisions it takes as well as for the coordinating, executive and management functions it exercises, as laid down in the EU treaties⁶.

A. Key results and progress towards the achievement of the Commission's general objectives and DG's specific objectives

The political agenda of President von der Leyen, as set out in the political guidelines and further developed in the mission letters to all members of the Commission, was the starting point for the 2020-2024 Strategic Plan of the Internal Audit Service (IAS). The IAS, as the sole internal audit service provider in the Commission and domain leader in internal audit for the EU agencies and other autonomous bodies, contributes in the most visible way to the following general objective:

A modern, high-performing European public administration

In the political guidelines, the President puts strong emphasis on modernising the way the Commission works, for example through digitalisation, use of collaborative working methods and an increased focus on sustainability.

The Internal Audit Service (IAS) is an independent central service in the European Commission. It audits management and control systems of each of the 50 European Commission services and executive agencies, and a growing number of more than 50 decentralised EU agencies and other autonomous bodies receiving contributions from the EU budget ('audited entities').



The IAS provides to the audited entities and the College of Commissioners **assurance on the effectiveness of risk management, control, and governance processes**. It helps the audited entities to achieve their objectives and also contributes to the effective and efficient management of resources and to promoting a performance culture (economy, efficiency and effectiveness).

The IAS also indirectly contributes to the overall goals of the European Union. Based on in-depth risk assessments performed for each of the audited entities, the IAS auditors identify the highest risks that may adversely affect the achievement of the wide range of general and specific objectives contributing to the high-level political ambitions of the von der Leyen Commission and its priorities for 2019-2024. The IAS strategic audit plan covers the systems and processes the audited entities put in place to address those risks. In 2023, the strategic audit plan 2021-2023 was extended to cover also the year 2024, given the major

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

institutional changes that will take place (notably: the European Parliament elections, the arrival of the new College, and the revision of the MFF). These events will have a significant impact on the Commission's services both at strategic and operational level, to which the IAS work will need to adapt.

As part of the formal risk and internal control framework of the Commission and of the EU agencies and other autonomous bodies, the Internal Auditor works alongside other risk and control professionals, in particular the European Court of Auditors (ECA), the Commission's external auditor, and, where applicable, the Internal Audit Capabilities (IACs) of the EU agencies and other autonomous bodies. Together, these actors help the audited entities to manage risks.

Auditing has become more complex over the last years due to the increased number of interconnections between EU policies and between the entities contributing to their implementation, as well as to the increased complexity of (new) processes to audit (enforcement activities in the digital world, artificial intelligence, etc.). Therefore, the auditors have to take into account this evolving landscape. The IAS has to be very flexible, constantly monitor the situation, swiftly update the audit universe, identify newly emerging risks, and adapt its in-depth risk assessments and audit plans to new developments.

When planning its audits for the year 2023, the IAS took into consideration the conditions under which certain auditees operate (linked to disruptive geopolitical events, such as Russia's war of aggression against Ukraine, and important structural challenges), together with delays in the implementation of programs due to the late adoption of legislation.

Through its **assurance and consulting activities**, the Internal Audit Service adds value to the effective and efficient implementation of governance, risk management and control processes and of EU policies, programmes and actions, to effective and efficient management of resources, to the legal and regular spending of the EU budget and to the compliance with the applicable legal and regulatory frameworks by the audited entities.

The IAS performed a wide range of **audits** in 2023, covering governance aspects and operational and financial processes, in order to provide assurance to the audited entities that the controls in place are effective in mitigating those risks that may impair the achievement of their objectives. With a view to contributing to the Commission's and EU decentralised agencies and autonomous bodies' performance-based culture, an important part of the Internal Audit Service strategic audit plans consists of **performance audits** concerning:

- data and information management;
- data protection;
- governance arrangements for major EU programmes;
- supervision strategies regarding the implementation of programmes by third parties;
- control strategies for selected directorates-general and services;
- implementation of dedicated EU programmes co-implemented by EC services and executive agencies;
- human resources management processes;
- the implementation of the internal control framework in the Commission.

Where weaknesses were identified in the course of an audit, **recommendations** were issued. These recommendations aim at mitigating the related risks in a cost-effective way, thereby adding value to the audited entity. The implementation of the accepted recommendations was verified through follow-up audits.

The Financial Regulation⁷ requires the Commission to communicate to the European Parliament and the Council a set of financial and accountability reports, which constitute essential input for the annual “discharge procedure”, through which the European Parliament and the Council hold the Commission accountable for the way it manages the EU budget. This also provides a greater focus on value for money for citizens and thus contributes to **increasing public confidence in the European Union and enhancing its image**.

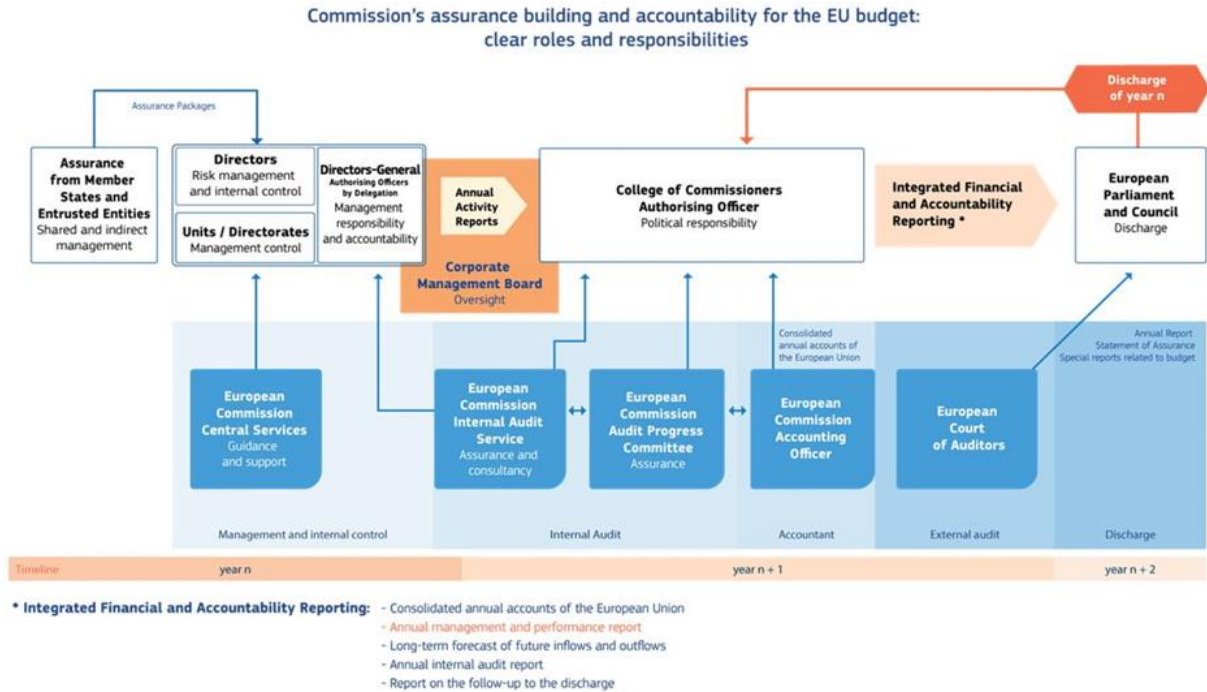


Figure 1 - Commission's Assurance and Accountability Chains (source: European Commission).

Each year, at the end of the second quarter, the IAS contributes to the preparation of the **Commission's Integrated Financial and Accountability Reporting package** (IFAR). The IFAR brings together comprehensive information on the implementation, performance, results, sound financial management and protection of the EU budget. The Commission's **Annual Management and Performance Report** for the EU budget (AMPR) includes the assurance provided by the Internal Audit Service.

The IAS contributed to the preparation of the package with two deliverables submitted to the Commission:

- (1) the **Annual Internal Audit Report**⁸, which was based on the results of the IAS' audit work completed in the European Commission's Directorates-General, services and the executive agencies in 2022. The report summarised the main audit outcomes in terms of the number and type of internal audits carried out, the principal recommendations

⁷ Article 247 FR

⁸ Article 118(4) FR

made and the actions taken with regard to those recommendations;

- (2) the annual **Overall opinion on the state of financial management** in the Commission, based on the audits which the IAS carried out in the area of financial management in the Commission during the previous 3 years.

These documents were summarised by the Secretariat-General of the European Commission in the **Annual report on internal audits**⁹ which was part of the IFAR package forwarded by the Commission to the European Parliament and the Council and discussed in the framework of the annual discharge procedure.

The IAS also issued:

- a **conclusion on the state of internal control** to each individual Directorate-General and service of the Commission, as a contribution to the preparation of their annual activity reports,
- quarterly reports (or information notes) transmitted to the Audit Progress Committee (APC) on the **follow-up of IAS recommendations** concerning Commission's Directorates-General and services, and
- annual reports on the status of **open critical and significantly delayed very important IAS recommendations** in decentralised EU agencies and other autonomous bodies.

B. Key Performance Indicators (KPIs)

Concerning the IAS core activities, most targets set out for 2023 in the IAS's 2020-2024 Strategic Plan and 2023 Management Plan were reached.

Following the good practices identified by the international Institute of Internal Auditors (IIA), the IAS uses a set of key performance indicators (KPIs) to ensure that its strategic audit plans deliver the desired results. The IAS targets and indicators are defined on an annual basis and closely monitored throughout the year.

The results for 2023 are overall satisfactory. The three KPIs that represent the most critical aspects of the performance of the IAS are as follows:

- ✓ Coverage, through the strategic audit plans and successive annual audit plans, of the financial management in Commission services resulting in the delivery of an overall opinion without material scope limitations.
- ✓ Level of satisfaction of stakeholders (APC/Management Boards and Directors-General/Directors of EU agencies and other autonomous bodies);
- ✓ Compliance with international internal auditing standards as assessed through the External Quality Assessment (EQA)¹⁰ and Internal Quality Assessment (IQA), and with the internal methodology and guidelines of the IAS.

Performance tables in Annex 2 provide a more detailed analysis of these and other KPIs.

⁹ Article 118(8) FR

¹⁰ The EQA was performed in 2021 and is valid for 5 years. See section 2.2.

For non-core business activities, a significant part of the targets was achieved. The performance tables in the Annex 10 provide a more detailed analysis.

C. Key conclusions on internal control and financial management

In line with the Commission's Internal Control Framework the IAS has assessed its internal control system during the reporting year and has concluded that it is effective and the components and principles are present and functioning as intended¹¹.

In addition¹², the IAS has systematically examined the available control results and indicators as well as the observations and recommendations from internal and external quality assessments. These elements have been assessed to determine their impact on management's assurance about the achievement of the control objectives.

In accordance with the governance arrangements of the European Commission, (the staff of) the IAS conducts its operations in compliance with the applicable laws and regulations, working in an open and transparent manner and meeting with the expected high level the professional and ethical standards. The Financial Regulation requires that the organisational structure and the internal control systems used to implement the budget be set up in accordance with these principles.

Around 98% of the administrative expenditure of the IAS is directly delegated to the Office for Administration and Payment of Individual Entitlements (PMO), to the Directorate-General for Human Resources and Security (DG HR) and to the Directorate-General for Informatics (DG DIGIT), in accordance with the Commission's Internal Rules.

The IAS is accountable for the remaining 2% of its administrative budget, which is co-delegated to DG HR and DG DIGIT (based respectively on a service level agreement and a memorandum of understanding). This expenditure is covered by the Declarations of Assurance of these Directorates-General and the IAS, as the primary AOD can rely on the efficiency and cost-effectiveness of the controls in place in DGs HR and DIGIT (as secondary AODs). Moreover, in 2023, as every year, the IAS executed its own additional ex-ante and ex-post controls on its mission expenses and monitored the implementation of its anti-fraud strategy. No issues have been reported in these areas.

In conclusion¹³, the IAS has reasonable assurance that, overall, suitable controls are in place and working as intended; risks are being appropriately monitored and mitigated, and necessary improvements have been/are being implemented related to awareness raising for anti-fraud strategy and business continuity management.

The Director-General and the Director of IAS.C (in her capacity as Authorising Officer by Delegation (AOD) have co-signed the Declaration of Assurance.

¹¹ See section 2.3 for further details

¹² See section 2 for further details

¹³ See section 2.4 for further details

D. Provision of information to the Commissioner

In the context of the regular meetings during the year between the Director-General and the Commissioner¹⁴ on management matters, the main elements of this report and assurance declaration have been brought to the attention of Commissioner Reynders, responsible for Justice and the IAS.

¹⁴ At Cabinet level

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

Analysing the new audit universe and adjusting the organisation of the IAS¹⁵

The audited entities are allocated across the units and directorates' portfolio in order to ensure that the DG's structure remains adapted to our evolving environment and supports the IAS in ensuring that risks are covered in an efficient and effective way and further strengthen the management of resources.

The IAS is also implementing actions defined to address areas for optimisation that would be identified in the context of a continuous search for improvement.

Our contribution in 2023 to individual audited entities¹⁶

As part of its strategic audit plan, the IAS performed in 2023 a wide range of **audits**, covering governance aspects and operational, financial and risk management processes, in order to provide assurance to the audited entities that the controls in place are effective in mitigating those risks that may impair the achievement of their objectives. With a view to contributing to the improvement of the Commission's performance-based culture, it also carried out **performance audits**.

Recommendations were issued to address weaknesses identified, with the aim to mitigate the related risks in a cost-effective way, thereby adding value to the audited entity. They concerned a wide range of issues, including data and information management, data protection, supervision strategies regarding the implementation of programmes by third parties, control strategies for selected directorates-general and services, human resources management processes, and reviews assessing the implementation of the new internal control framework in the Commission.

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

The Internal Auditor transmitted, as every year, a **conclusion on the state of internal control** (limited type assurance¹⁷) to each individual Directorate-General and service of the Commission, as a contribution to the preparation of their annual activity reports.

Ensuring coverage of the high-risk areas of the audit universe¹⁸

In accordance with the IIA Standards, Strategic Audit Plans (SAP) are risk based and the IAS's objective is **to cover the highest risk areas in its audit universe** over a three- or

¹⁵ Specific objectives 1 and 2

¹⁶ Specific objective 4

¹⁷ These limited conclusions have been issued on an annual basis since 2016.

¹⁸ Specific objective 3

four-year period (i.e., 2021- 2023 for the Commission and the Executive agencies).

The annual update of the in-depth risk assessments was performed at the end of 2023 to revise the high risks and audit priorities for the year 2024 and the SAPs accordingly. Major geopolitical events and structural changes, including the resulting impact on EU policies and administrative issues, were among the factors that the IAS took into consideration when reassessing the risks of the Commission services in the context of the mid-term review of the 2023 audit plan and the preparation of the 2024 audit plan.

In order to be able to deliver the **annual overall opinion of the IAS on financial management in the Commission**, the plan also has to ensure a certain minimum coverage of financial management in all Commission services and executive agencies over the three-year period. In the decentralised EU agencies and other autonomous bodies, the objective is also to cover the highest risks in the period of the strategic internal audit plans (i.e., four-year period), but there is no obligation to deliver an overall opinion on financial management per agency.

Delivering the audit plan and optimising the use of resources¹⁹

In 2023, the IAS completed 60 engagements, i.e. 97% (EC) and 96% (DAOB) of the engagements planned to be finalised in 2023.

The year 2023 witnessed the continuous efforts to ensure the best practices, possibilities for improvement and efficiency gains, while fostering a greener Commission, in spite of a number of challenges presented by the remote auditing practices.

The IAS actively managed its operational performance through a detailed planning of audit tasks, allocation of staff to engagements, close monitoring of the respect of deadlines and milestones for all audits, detailed time recording for all staff and the regular analysis of the differences between budget and actual time spent on each audit. Audit staff spent on average **82.3% of their time on audit activities**.

Closely monitoring stakeholders' feedback²⁰

In 2023, the IAS continued its practice of surveying its auditees at the end of each engagement on whether they consider that audits and recommendations cover the risks and processes in their entity, provide added value to their operations and contribute to an effective risk management, all with a high score of satisfaction level.

Moreover, the IAS continued to conduct satisfaction surveys with its key stakeholders, namely the members of the APC, the chairs of the boards of the EU agencies and other autonomous bodies, and senior management of the audited services (Commission Directors-General, Directors of the executive agencies, Directors of the EU agencies and other autonomous bodies).

All stakeholders continue to recognise that the IAS covers the main risks and that its recommendations add value, confirming that the IAS helps them to improve their internal control. They also consider that the IAS performs its audits with objectivity, honesty and

¹⁹ Specific objective 4

²⁰ Specific objective 5

fairness.

Complying with internal methodology and guidelines and international auditing standards²¹

Periodic assessments confirmed the IAS' conformance with the IIA Standards and the professional IPPF Code of Ethics. The 2021 external quality assessment (EQA²²), valid for 5 years, confirmed the IAS's compliance as well with all Standards and the Code of Ethics.

Even though no non-conformance issues were identified as a result of these assessments, the IAS continued to improve its (digitalised and lean) audit techniques and harmonise its audit practice, in line with leading practices.

²¹ Specific objective 6

²² IIA Standard 1312: External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organization.

2. INTERNAL CONTROL AND FINANCIAL MANAGEMENT

According to Art 117(1) of the Financial Regulation, the Commission's Internal Auditor may not be an authorising officer. This role is exercised by the Director in charge of Risk Management and Internal Control (IAS.C).

Assurance is provided on the basis of information on the efficiency and effectiveness of internal control systems and governance processes. **The IAS management monitors the functioning of the internal control systems on a continuous basis.** The results are explicitly documented and reported to the Director-General.

The following reports have been considered:

- the reports from Authorising Officers in the Directorates-General/Services (AOD) managing budget appropriations in co-delegation. DG HR analyses the results of different controls in order to substantiate the IAS assurance statement. These controls cover the part of the budget entrusted to DG HR by the IAS. The controls that are most relevant to the IAS assurance statement, as formulated in the AAR standing instructions, are the ex-post controls, the sub-delegated authorising officers' assurance reports and exceptions or non-compliance reports;
- the contribution by the Director in charge of Risk Management and Internal Control (RMIC), including the results of internal control monitoring at Directorate-General level;
- the reports on recorded exceptions, non-compliance events and any cases of 'confirmation of instructions' (Article 92(3) of the Financial Regulation), if applicable;
- the internal and external quality assessments (IQA and EQA) on the IAS audit activities.

The systematic analysis of the available evidence provides sufficient guarantees as to the completeness and reliability of the information reported and results in the full coverage of the budget delegated to the AOD of DG IAS.

This section covers the control results and other relevant elements that support management's assurance. It is structured into 2.1. Control results, 2.2. External and internal quality reviews, 2.3. Effectiveness of internal control systems, resulting in 2.4. Conclusions on the assurance.

2.1. Control results

This section reports on the control results used by management to support the assurance on the achievement of the internal control objectives (ICO) ⁽²³⁾. The IAS' assurance building and materiality criteria are outlined in annual activity report annex 5. The annual activity

⁽²³⁾ 1) Effectiveness, efficiency and economy of operations; 2) reliability of reporting; 3) safeguarding of assets and information; 4) prevention, detection, correction and follow-up of fraud and irregularities; and 5) adequate management of the risks relating to the legality and regularity of the underlying transactions, taking into account the multiannual character of programmes as well as the nature of the payments (FR Art 36.2). The 2nd and/or 3rd Internal Control Objective(s) (ICO) only when applicable, given the DG's activities.

report annex 6 outlines the main risks together with the control processes to mitigate them and the indicators used to measure the performance of the relevant control systems.

Taking into account that the implementation of the whole budget of the IAS is (co)delegated to the PMO, DGs HR and DIGIT (see annexes 3 and 4), management assurance in the IAS on financial management depends on the assurance provided by the AODs Declarations of these entities in their own Annual Activity Reports.

In addition to what is reported in the AARs of DGs HR, DIGIT and PMO, the IAS performs ex-ante and ex-post controls on IAS mission expenses. The control processes and the indicators used to measure the performance of the relevant control system allow the IAS to ensure compliance of the mission expenses with the Commission’s Guide to Missions and Authorised Travel and the IAS specific guidance²⁴.

Expenditure	Amount	Issues reported	Reservation
Administrative expenditure managed under direct delegation to PMO and DG HR (- 98.6% of €29m)	€28.6m	No issues reported	NO
Administrative expenditure managed under co-delegation to DG HR (missions, meeting) (~ 0.7% of €29m - co-delegation)	€0.2m	Non-recurring issues reported (see next section)	NO
Administrative expenditure managed under co-delegation to DG DIGIT (~ 0.7% of €29m -co-delegation)	€0.2m	No issues reported	NO
Totals (coverage)	€29m		NO

As the IAS’s financial management is fully (co)delegated to other entities, the internal control in the context of the AAR of the IAS mainly refers to the implementation of the internal control framework and its 17 principles for its non-financial operations.

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

The annual risk assessment exercise was conducted and finalised in February 2023. No significant risks were identified which could have a material impact on the achievement of the IAS’ objectives and therefore on assurance. The self-assessment exercise of the IAS’ implementation of the internal control framework was finalised in February 2024. The Director in charge of RMIC concluded that the IAS implemented an effective system of

²⁴ Payments are not included in the main control objectives as they are executed by the entrusted entity, PMO, subject to similar management governance modalities. The corresponding controls are reported by the PMO in their AAR.

internal control. Some areas for improvement were identified to continue maintaining and strengthening IAS' internal control systems.

In 2023, the IAS registered two non-compliance events related to payment of membership fees to professional organisations made before receiving the authorisation from DG HR. One non-compliance event, related to delayed submission of request for participation of the concerned staff in a conference was registered by DG HR²⁵. For all three events the financial risk and potential reputational risk for the IAS are considered low. Mitigating measures to prevent occurrence of similar events in the future have been put in place.

The AOD did not receive any binding instructions which she considered to be irregular or contrary to the principle of sound financial management, and therefore no cases of 'confirmation of instructions' in the sense of Article 92(3) FR are reported.

The reporting requirements stemming from the 2018 Financial Regulation, and listed below, do not apply to the IAS:

- Cases of financing not linked to costs (FR art 125.3);
- Financial Framework Partnerships >4 years (FR art 130.4);
- Cases of flat rates >7% for indirect costs (FR art 181.6);
- Cases of "Derogations from the principle of non-retroactivity pursuant to Article 193 FR" (FR art 193.2).

2.1.1. Effectiveness of controls

a) *Legality and regularity of the transactions*

The IAS uses internal control processes to ensure sound management of risks relating to the legality and regularity of the underlying transactions it is responsible for taking into account the nature of the payments concerned.

The entire expenditure related to the "Audit" activity is either directly delegated or co-delegated to PMO, DGs HR and DIGIT. According to Article 3.4 of the Internal Rules of the Commission²⁶, DGs HR and DIGIT bear the responsibility for these co-delegated appropriations and report on them in their own AAR. Identified non-compliance events (as referred to in the previous section) represent an immaterial part of the IAS budget with no financial consequences. No other issues were reported by PMO, DG HR and DG DIGIT for any type of IAS expenditure.

Where the ex-ante controls on the mission expenses identified transactions requiring corrections or clarifications, the related mission orders and expense declarations were adjusted before they were sent to PMO for further processing.

The IAS own ex-post controls on mission expenses found no errors.

²⁵ See Annex 1.C

²⁶ Commission Decision C(2018) 5120 final of 3.8.2018 on the Internal Rules on the implementation of the general budget of the European Union (European Commission section) for the attention of the Commission departments.

IAS	Payments made	Relevant expenditure	Estimated risk (error rate %) at payment		Estimated future corrections and deductions		Estimated risk (error rate %) at closure	
	m EUR	m EUR	m EUR	%	m EUR	%	m EUR	%
Item 1	n/a	n/a	n/a		n/a		n/a	
IAS total	m EUR	m EUR	m EUR	%	m EUR	%	m EUR	%

Table X: Estimated risk at payment and at closure (amounts in EUR million) – N/A: as the IAS does not make any payments, calculations of estimated risk at payment and at closure are not applicable.

Based on the above, the IAS concludes that the controls are effective and that the payments were legal and regular.

For an overview at Commission level, the departments' estimated overall risk at payment, estimated future corrections and risk at closure are consolidated in the AMPR.

b) Fraud prevention, detection and correction

The IAS established its first Anti-Fraud Strategy in 2014. The most recent one was finalised in 2022 covering the period 2023-2025. It is based on the outcome of the fraud risk assessment and replaces the previous AFS for the period 2020-2022. The exercise was planned and conducted in close cooperation with OLAF.

The implementation of the IAS Anti-Fraud Strategy is monitored and reported to management twice a year. All necessary actions for 2023 stemming from the anti-fraud strategy 2023-2025 have been implemented.

One of the key objectives contained in the revised IAS anti-fraud Strategy is to contribute to the implementation of the CAFS at the level of the Commission and the EU agencies and other autonomous bodies. The actions outlined in the IAS anti-fraud Strategy that are related to this objective include a) the prompt response to all OLAF requests for information or support and b) the communication of fraud-related audit results to OLAF. The IAS is a member of the interservice Fraud Prevention and Detection Network, established under the CAFS. Through its participation in the CAFS the IAS ensures its appropriate contribution to the revised Commission anti-fraud strategy Action Plan of July 2023.

The IAS carried out preventive and detective controls such as ex-ante and ex-post controls on missions and the mitigation of potential conflicts of interest reported by recruitment panel members and/or candidates.

Concerning the IAS audit activity, the leaking of confidential information (especially conferred by the auditees, and the results of audit work), conflicts of interest, and lack of objectivity have been identified as risks with a low probability, due to the ethical awareness and stance of the IAS staff.

An information package on ethics is provided to all new IAS staff upon recruitment. Moreover, all IAS auditors are bounded by the IIA code of ethics.

In the course of 2023, the IAS organised an Auditors' Forum presentation to raise staff awareness on the details of IAS AFS and on the delivery of the action plan. The auditors' forum addressed as well possible ethics, conflict of interest, and other fraud-related issues. This was considered a very important topic relevant both to remind staff of the core ethical and anti-fraud risks that exist in a range of organisations, but also allowed an extended discussion on the necessary management controls that would be expected to protect and detect them. Considering that the IAS is a non-spending Directorate-General with a low fraud risk profile, the implementation of its anti-fraud strategy was satisfactory in 2023.

In 2019-2023 the IAS did not receive any financial recommendations from OLAF.

Based on the available information, the IAS has reasonable assurance that the anti-fraud measures in place are effective.

c) Safeguarding of assets and information

As the IAS manages sensitive information in the framework of its audits, it has put in place procedures to ensure that staff handle information with the necessary precautions to avoid the leak of confidential data or the violation of the data integrity. Specific guidance for the staff, in line with Commission rules and regulations, is published on the intranet of the IAS and newcomers are informed about it upon their arrival. In addition, IAS staff with an audit certification are required by their professional bodies to adhere to a strict code of ethics. No leak of confidential data and no violation of data integrity was reported in 2023.

2.1.2. Efficiency of controls

As the IAS has fully (co-)delegated its financial management, the efficiency of controls mostly depends on the systems and controls of the entities to whom the management of the budget was (co-)delegated. In 2023, the IAS was satisfied with the timeliness of the services provided by the PMO, DG HR and DG DIGIT.

2.1.3. Economy of controls

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

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

The total cost of the controls amounts to € 6.272,60 for 2023 (see annex 7). The amount invested in these controls appears proportionate to the 2023 IAS mission costs incurred (€90.980,68), especially when taking into account the reputational risk if the IAS were to be found not to respect the Commission rules regarding the reimbursement of mission expenses.

2.1.4. Conclusion on the cost-effectiveness of controls

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

2.2. External and internal quality reviews and follow-up actions

In 2021, the IAS underwent a full external quality assessment as required by international auditing standards²⁷, valid for 5 years, which concluded that “the European Commission’s Internal Audit Service (EC’s IAS) “generally conforms²⁸” to all IIA standards for the period in scope (2017-2021) and to the IPPF code of ethics.

In 2023, the IAS performed an internal quality assessment. It concluded that the IAS generally conforms with the Standards assessed and the IIA Code of Ethics.

During the year, the IAS continued to improve its audit techniques, harmonise its audit practice, in line with leading practices, and to follow up on various internal initiatives related to audit methodology and audit-related tasks to further enhance efficiency of the audit process.

2.3. Assessment of the effectiveness of internal control systems

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

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

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

To detect possible control deficiencies, the IAS used the following information sources:

- a self-assessment against internal control monitoring criteria
- weaknesses spontaneously reported by staff;
- the anonymous survey collecting IAS staff opinions on the compliance with and functioning of internal control principles in order to assess the effectiveness of the principles;
- the monitoring and reporting of exceptions and non-compliance events;

²⁷ Standard 1312 of the Institute of Internal Auditors’ (IIA) Standards for the Professional Practice of Internal Auditing states “External assessment must be conducted at least once every five years by a qualified, independent reviewer or review team from outside the organisation”.

²⁸ “Generally conforms” is the highest possible rating

- the ongoing monitoring of the implementation of anti-fraud controls; and
- the ongoing monitoring of the performance of the internal audit activity, in accordance with international professional standards.

Based on the analysis of the information sources mentioned above and in line with the Commission's Internal Control Framework the IAS has assessed its internal control system during the reporting year and has concluded that it is effective, and the components and principles are present and functioning as intended.

Nevertheless, the IAS defined several actions related to awareness raising for anti-fraud strategy and business continuity management to continue maintaining and strengthening its internal control systems with an objective of adaptive and continuous improvement.

2.4. Conclusions on the assurance

This section reviews the assessment of the elements already reported above (in Sections 2.1, 2.2 and 2.3), and the sub-conclusions already reached. It draws an overall conclusion to support the declaration of assurance and whether it should be qualified with reservations.

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

The additional ex post controls executed on mission expenditure confirmed that management of missions was implemented according to the Commission mission rules and the IAS guidelines.

According to the results of the self-assessment exercise, the internal control principles are present and function as intended in the IAS. This last element also covers specific internal control objectives, such as the safeguarding of assets and information and the prevention, detection and correction of fraud and irregularities.

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

In conclusion, based on the elements reported above, the IAS management has reasonable assurance that, overall, suitable controls are in place and working as intended; risks are being appropriately monitored and mitigated; and necessary improvements and reinforcements are being implemented.

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

2.5. Declaration of the Assurance

We, the undersigned,

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

and

Cristiana Giacobbo, Director IAS.C, in my capacity as authorising officer by delegation,

Declare that the information contained in this report gives a true and fair view²⁹.

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

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

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

Brussels, 02.04.2024

Agnieszka Kaźmierczak

Cristiana Giacobbo

²⁹ True and fair in this context means a reliable, complete and correct view on the state of affairs in the DG.

3. MODERNISING THE ADMINISTRATION

For a number of years, the European Commission has been going through a fundamental change of its institutional culture. The political and economic environment of the EU will accelerate and reinforce this process that helps us to embrace the future.

Key elements of this necessary change of the institutional culture are a:

- more agile and flexible, as well as a more transparent and digital way of working;
- new and more inclusive leadership, with fewer hierarchies;
- breaking of silos and more cooperation at all levels;
- method of working together at political level which is matched with increased cooperation at services level, pooling knowledge and expertise;
- general attitude which makes sure that we do more with less;
- high priority to performance measurement and reporting on achievements.

As a modern public administration, the Commission implements an internal control framework inspired by the highest international standards. Its internal control framework³⁰ supports sound management and decision-making. It notably ensures that risks potentially affecting the achievement of objectives are taken into account and reduced to acceptable levels through cost-effective controls. The IAS has established an internal control system tailored to its particular characteristics and circumstances. The effective functioning of the service's internal control system is assessed on an ongoing basis throughout the year and is subject to a specific annual assessment covering all internal control principles.

The IAS organisation and the structure of its audit portfolios, covering partner DGs and related decentralised agencies, joint undertakings and other autonomous bodies, enables the IAS to take a holistic view, detached from the organisational structure of DGs, EU agencies and other autonomous bodies, in alignment with the institution's 'whole of government' approach. This approach supports the IAS in covering the risks in the audit universe in the most efficient and effective way, taking into account the evolving political, cultural and organisational developments of the European Commission.

This organisation is supported by a continued attention to the optimised management of resources and by flexible ways of working, reaping the opportunities offered by available digital tools.

The following sections describe key achievements in 2023 to improve the processes in the fields of human resources, digital transformation and information management and sound environmental management.

³⁰ [Communication C\(2017\)2373 - Revision of the Internal Control Framework](#). The Commission's system covers all the principles of internal control identified in the Committee of Sponsoring Organizations of the Treadway Commission 2013 (COSO) Internal Control framework, including financial control, risk management, human resource management, communication and the safeguarding and protection of information.

3.1. Human resource management

Adapt HR Strategy to the evolution of the institutional culture

In order to ensure the effective management of human resources and to optimise the capacity to deliver on priorities, the IAS has regularly adapted and implemented its HR activities and processes in full compliance with the corporate guidance. It encouraged flexible and digital ways of working, cooperation at all levels, pooling knowledge and expertise, and giving priority to performance measurement and reporting on achievements in a trust-based environment.

Maintain and further increase staff engagement

The Staff Engagement Committee and the IAS Communication Team continued to provide internal communication activities, including the bi-annual IAS newsletter and the organisation of Auditors' forum events, allowing auditors and non-auditors to share their experiences with colleagues. Exercises like the job-shadowing contributed to the promotion of professional and international networking for the senior auditors of the DG.

In compliance with the new ways of working of the Commission, the IAS continued to promote flexibility, fostering trust-based management and enabling staff to better balance their personal and professional priorities (flexible ways of working, part-time, teleworking, time credits, recuperation, etc.). The rationale behind was not only that staff engagement fosters performance and productivity, but also with a view to increase the attractiveness of the IAS as an employer.

Enhance gender-balance at middle management level

After having met the first targets set out in the 2020 College decision on measures for reinforcement of gender equality policy at management level, the IAS remains committed to enhance gender balance at this level when management positions are made available, in line with the new targets set for 2023 by the recent SEC(2023)200 of 17 May. In parallel, it supported the participation of its staff to the Female Talent Development Program coordinated by DG HR.

Provide effective HR services in order to recruit, support and maintain a high-performance workforce

To address the recruiting challenges arising from the absence of recent specialised audit competitions and the resulting unavailability of laureates' lists, the IAS put in place several actions to better advertise its vacancies within and outside the Commission³¹, to identify more efficiently available adequate profiles as well as to further optimise its use of human resources, including a significant reduction in the number of support staff to increase the number of auditors, and the review a range of internal processes to identify efficiency gains.

Increase the capacity and the level of professionalism of internal auditors and promoting professional networking

³¹ The IAS has published an external call for Temporary agent - Internal Auditors (IAS/TA/COM/2023/007).

To maintain its high level of professionalism, credibility and trust as expected by auditees, the IAS encouraged its professional audit staff to become professionally certified.

The comprehensive specific audit training programme and by extension those of the EU institutions and the decentralised EU Agencies, has been regularly reviewed taking account of changes in the audit environment and priorities for internal audit, staff expectations and remote auditing and teleworking practices.

In addition, the IAS has organised seven Auditors' Forum seminars and two meetings of the Auditnet for the decentralised EU agencies and other autonomous bodies.

Other training opportunities outside the Commission have also been offered, via participation in specialised training courses, and conferences and webinars/seminars addressing specific audit areas.

Launch initiatives to attract, recruit and maintain a high-performance work force

In the absence of audit competitions, in 2023 the IAS focussed on enhanced communication activities to improve the IAS' visibility and attractiveness as an employer. The Blue Book traineeship proved to be an asset, similarly to initiatives such as the "back-to-school" programme and the Commission's Junior Professional Programme (JPP) – all valued and constantly encouraged.

3.2. Digital transformation and information management

Fostering a digital culture (objective #1)

To meet the requirements of the Standards and IIA Code of Ethics, all IAS auditors must have knowledge and skills necessary to perform audit engagements, including in information and communication technology (ICT).

Based on this, in 2023 the IAS training grid was updated with a list of recommended and available training courses per specific job function, including those related to cybersecurity (e.g., the corporate Cyber Aware / Security Education Programme) and digital skills related to the new digital workplace (e.g., collaboration IT tools, video-conferencing tools). Specific IT-related topics such as IT auditing and data analytics have also been included in the IAS' comprehensive specific audit training programme (IATP).

Activities to increase awareness and implementation of secure exchange practices of audit related documentation with external stakeholders have continued.

Digital-ready policy making (objective #2)

As a Commission internal service, the IAS is not involved in EU policy making.

Digital transformation (objective #3) and Seamless digital landscape (objective #4)

In line with the digital transformation objective of the new Commission Digital Strategy (NDS), the IAS further enhanced the use of data analytics and digital auditing and increased the number of audits based on comprehensive data analysis. In addition to TeamMate Analytics the IAS uses IAS Qlik Sense as a data analytics and visualisation tool.

Proof of concept has been finalised for the use of a process mining tool, to analyse electronic process workflows in audited activities.

Additionally, the IAS continued the project of upgrading its audit management system to the latest version, to further enhance electronic workflows (e.g., elimination of exchange of documents via e-mail), improve security (e.g., integration with EU Login), and provide more intuitive and coherent user interface, in line with the Commission Dual Pillar approach.

Green, resilient and secure infrastructure transformation (objective #5)

By the end of 2023, all IAS staff has migrated to WELCOME and started effectively using M365 collaborative tools (e.g. Teams, SharePoint Online, OneDrive). All the existing IAS collaboration sites have been migrated to SharePoint Online (SPO) or S-CIRCABC. On this trend, a more secure and resilient digital working environment will be established.

Information and IT security rules

The IAS continued with the project of migrating to the newest version of TeamMate audit management systems and as part of the project it reflected on the IT security plan. The TeamMate IT security plan revision started in 2023 and will be formally updated in 2024.

The IAS also performed the IT security risk assessments and documented the IT security plans for three other IT systems (IAS GRC – previous audit management IT system, IAS Qlik Sense, IAS process mining tool). With this, all IAS IT systems are now covered by an IT security plan.

The IAS raised awareness about handling of sensitive not classified information, especially in the new M365 environment, via dedicated staff meetings, IAS intranet, and e-mail communication. During 2023, a dual-factor authentication with EU Login, was activated for IAS Qlik Sense and IAS process mining solution.

Data protection

The IAS continued to take necessary actions in order to ensure compliance with the legal framework and the Commission's Data Protection Action Plan³², in particular:

- ensured that processing operations comply with Regulation (EU) 2018/1725, including obligations on records keeping and their updates, data subject rights, agreements with external processors and by allocated appropriate resources for compliance;
- raised awareness of staff on data protection. Awareness campaigns were promoted through IAS Intracomm News, dedicated data protection section or directly communicated through e-mail to all IAS staff reaching 100% of staff.

The nature of the IAS activities involves the processing of personal data (although not targeting specific individuals). The target for training staff on aspects of data protection during audits should remain at 100% per year, every year until 2024. In 2023 the IAS has trained all newcomers on data protection during audits but did not request the attendance of staff that attended the year before.

³² C(2018)7432 and reviewed action plan C(2020)7625.

3.3. Sound environmental management

The IAS takes full account of its environmental impact in all its actions and actively promoted measures to reduce the related day-to-day impact of the administration and its work.

Having its offices in one of the Commission buildings participating in the Eco-Management and Audit Scheme (EMAS), the IAS performed its actions in line with the EMAS and contributes to the reduction of the building's energy consumption, CO2 emissions, waste generation, water use and office paper consumption.

The IAS regularly promoted the EMAS corporate campaigns at local level and identified local environmental actions in order to support the Commission's commitment to implement the objectives of the Green Deal for its own administration, including becoming climate neutral by 2030. In 2023, the IAS especially focused on the following activities:

- Monitoring of office paper consumption
- Monitoring of missions emissions
- Sustainable mobility activities (improvements in the MADDO garage for cyclists, organisation of IAS VeloMai events)
- Support in implementing sustainable practices in large IAS events (green events checklist)
- Various awareness campaigns through the IAS newsletter, IAS Intracomm and e-mail communications

The activities were defined and monitored through the yearly updated IAS EMAS action plan managed and supported by the "EMAS team" (subgroup of the IAS Staff Engagement Committee).

3.4. Examples of economy and efficiency

Upon the approval of its Innovation and Digital strategy for the period 2022-2024, the IAS issued an action plan aimed to increase the staff knowledge in the context of digital technologies, enabling them to better understand digital risks in the audit universe and to become more efficient in using digital audit testing techniques (e.g. data analytics, process mining, visualisation). This was supplemented by enhancing the use of digital workplace tools (e.g. collaboration tools) and by using these data analytics and visualisation tools for more efficient monitoring of our audit activities. The supporting methodological improvements were delivered as planned and further deployment and training on digital skills and tools as envisaged. One example was enhanced use of data analytics on data from corporate IT systems in audit testing as well as in risk assessments and audit scoping exercises.