European
Commission

2015

Annual Activity Report

Internal Audit Service

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INTRODUCTION

The Internal Audit Service in brief

The **mission** of the Internal Audit Service (IAS) is to provide to the Commission and EU autonomous bodies (hereafter 'audited entities') independent, objective assurance and consulting services designed to add value and to improve their operations.

Through its audit work, the IAS contributes to the effective implementation of policies, programmes and actions and to the efficient and economical management of resources by the audited entities. In this way, it contributes to providing **value for money** for European citizens. It also helps the Commission in its objective to protect the budget from irregular expenditure and thus to increase public confidence in the European Union.

The IAS audits management and control systems that exist within the audited entities and provides **independent and objective assurance** on their adequacy and effectiveness. At the request of its auditees, it also offers consulting activities.

The IAS contributes to the promotion of a **performance culture** (economy, efficiency and effectiveness) with a view to bringing about **continuous improvement**. It also contributes to the **identification of critical risks** that may adversely affect the achievement of the audited entities' objectives and to the definition of mitigating actions.

The IAS carries out its mission in accordance with the Financial Regulation (FR) of the European Commission and with the International Standards for the Professional Practice of Internal Auditing[1] and the Code of Ethics of the Institute of Internal Auditors (IIA Standards). Its **independence** is guaranteed by Art.100 of the Financial Regulation, the IAS Mission Charters[2] and, regarding the work in the European Commission, by the Audit Progress Committee.

The IAS falls under the responsibility of the First Vice-President of the European Commission and continues to report to the Audit Progress Committee (APC). For the work in EU Agencies and other autonomous bodies, the IAS reports functionally to the Management Board and the Directors of each respective entity. Its work is coordinated with the European Court of Auditors (ECA), the Commission's external auditor, and, where applicable, with the Internal Audit Capabilities (IACs) of the EU Agencies and other autonomous bodies.

The IAS is a mature internal audit service committed to quality and excellence, and builds on its quality certification and on a culture of career-long learning. It has a well-defined and structured audit process, fully supported by a dedicated audit training programme and audit management software. Performance indicators in relation to the audit process are used to monitor the progress made with the audit engagements.

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1 IIA Standard 2000: "The CAE must effectively manage the IA activity to ensure its added value to the organisation."

2 For its work in decentralised EU Agencies and other autonomous bodies, the mission of the IAS and the independence of the Internal Auditor are also defined in the Framework Financial Regulation and the Model Financial Regulation.

EXECUTIVE SUMMARY

The Annual Activity Report (AAR) is a management report of the Director-General of DG IAS to the College of Commissioners. It is the main **instrument of management accountability** within the Commission and constitutes the basis on which the Commission takes its responsibility for the management of resources by reference to the objectives set in the management plan and the efficiency and effectiveness of internal control systems, including an overall assessment of the costs and benefits of controls.

The IAS' audit and consulting work completed in Commission Directorates-General, Services and Executive Agencies are summarised by the Secretariat-General in a Report following Article 99(5) of the Financial Regulation (FR)[3]. The "99(5) Report" lists the key audit findings and recommendations and the actions taken upon them. It is forwarded to the European Parliament and the Council by the Institution.

a) Policy highlights of the year

2015 was a challenging year for the IAS. During the year, the IAS implemented the Commission decision to centralise the internal audit function in the Commission which resulted in the dismantling of Internal Audit Capabilities (IACs) in each Directorate-General/Service and the IAS becoming the sole provider of internal audit services in the Commission.

As part of this process, the IAS was allocated 60 new posts and took over responsibilities previously assigned to the IACs, such as the provision of an annual opinion on the state of internal control in each DG/Service as a contribution to the preparation of their AARs. Following a screening exercise, the IAS also took over 908 outstanding audit recommendations issued by IACs in the past and to be followed-up.

These changes and new responsibilities led the IAS to review its business model, which resulted in a major re-organisation of the DG with the creation of a new Directorate for audits in the Commission, three new audit units and a central unit responsible for the Quality Assurance for the IAS as a whole.

IAS succeeded in filling a large number of posts and only 13 remained vacant at year end.

b) Key Performance Indicators

Despite these challenges, most planned objectives set out in the 2015 Management Plan were reached or exceeded and the audit plan of the Commission was adapted twice during the year to take into account the gradual availability of resources and ensure their effective use.

During 2015, the following five key performance indicators (KPIs) were closely monitored by the Internal Audit Service. As shown below the results are overall highly satisfactory. Due to the nature of the internal audit activity, all indicators and targets are set on an annual basis.

- Level of satisfaction of the main stakeholders (for the audits in the Commission: Audit Progress Committee (APC), Directors-General and Directors of Executive Agencies;

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3 The "99(5) Report" does not cover the EU Agencies, the European External Action Service, or other bodies audited by the IAS. Separate reports cover the IAS work.

for the audits in EU Agencies and other autonomous bodies: Management Boards and Directors) with the IAS' coverage of risks and processes: 93% satisfied for Commission and 91% satisfied for EU Agencies and other autonomous bodies [targets of 80%[4] and 90%, respectively].

- Level of satisfaction of the same main stakeholders with the added value of the IAS' audit reports and recommendations: 82% satisfied for Commission and 92% satisfied for EU Agencies and other autonomous bodies [targets of 80%[4] and 90%, respectively].

- Percentage of completion of the audit plan by the end of 2015: 100% [target of 100%].

- Time spent by auditors on direct audit work and audit support work: 87% for Commission and 86% for EU Agencies and other autonomous bodies, demonstrating an efficient and effective use of resources [target of 75%[5] and 80% respectively].

- Percentage of completion of the recruitment target set for 2015: 92% of 2014 posts, and 92% of 2015 posts filled as at 31/12/2015 [target of 95% of 2014 posts and 80% of 2015 posts].

A more detailed analysis of these Key Performance Indicators, including a split between Internal Audit of the Commission and Internal audit of the EU Agencies and other autonomous bodies, is provided in section 1.

c) Key conclusions on Management and Internal control

In accordance with the governance statement 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 the expected high level of professional and ethical standards.

The Commission has adopted a set of internal control principles, based on international good practice, aimed to ensure the achievement of policy and operational objectives. The Financial Regulation requires that the organisational structure and the internal control systems used for the implementation of the budget are set up in accordance with these standards. DG IAS has assessed the internal control systems during the reporting year and has concluded that the internal control principles are implemented and function as intended.

The IAS' annual review of its implementation of the Internal Control Standards was based on a self-assessment exercise which was integrated in the annual management risk assessment survey. Overall, the level of compliance and effectiveness of the implementation of the applicable ICS was assessed positively.

Service Level Agreements (SLA) with DG HR and DG DIGIT provide support services to the IAS in the area of human resources, financial management and IT services. The IAS has systematically examined the available control results and indicators.

In conclusion, management has reasonable assurance that, overall, suitable controls are in place and working as intended; risks are being appropriately monitored and mitigated;

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4 The target for Commission stakeholders (80%) was lower than for EU Agencies and other autonomous bodies (90%) in 2015. This is due to the major reorganisation of the Directorates dealing with the audit of the Commission's Directorates-General, Services and Offices which was implemented during the year and will need some time to reach full maturity.

5 The target for the activity "Internal Audit in the Commission" was lowered in 2015 due to the changes to the business model and organisational structure of this activity.

and necessary improvements and reinforcements are being implemented. The Director-General and the Director of IAS/A, in his capacity as Authorising Officer by Delegation[6], have co-signed the Declaration of Assurance.

d) Information to the First Vice-President

The main elements of this report and assurance declaration have been brought to the attention of First Vice-President F. Timmermans, responsible for Better regulation, inter-institutional relations, rule of law and charter of fundamental rights, and internal audit.

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6 According to Art.98(1) of the Financial Regulation, the Director-General of the IAS (the Commission's Internal Auditor) may not be the Authorising Officer by Delegation. This role is exercised by the Director of IAS/A.

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

1.1 Objectives of the IAS

The IAS audits management and control systems that exist within the audited entities and provides **independent and objective assurance** on their adequacy and effectiveness.

The IAS, as a horizontal service in the Commission, contributes through its audit work to:

- The effective implementation of policies, programmes and actions and to the efficient and economical management of resources by the audited entities. In this way, it contributes to providing value for money for European citizens. It also helps the Commission in its objective to protect the budget from irregular expenditure and thus to increase public confidence in the European Union.

- The protection and management of assets and resources by performing audits and consulting services in an effective and efficient manner and by providing re-assurance to the audited entities.

The IAS contributes to the promotion of a **performance culture (economy, efficiency and effectiveness)** with a view to bringing about **continuous improvement**. It also contributes to the **identification of critical risks** that may adversely affect the achievement of the audited entities' objectives and to the definition of mitigating actions.

Audit engagements are carried out when significant risks to the audited entity are identified through the audit risk assessment. Where weaknesses are identified in the course of the audit, recommendations are issued. These recommendations aim at mitigating the related risks in a cost-effective manner, thereby adding value to the audited entity. The implementation of the accepted recommendations is verified through dedicated follow-up audits. For the work in the Commission, the Audit Progress Committee (APC) ensures oversight over the proper implementation of IAS recommendations by the audited services.

For the Commission and Executive Agencies, audits of a financial nature contribute to the yearly **overall opinion of the IAS on financial management in the Commission**. The overall opinion consolidates the IAS' work in the area of financial management and is intended to contribute to the preparation of the Synthesis report of the Commission's management achievements. In addition, as from 2016 (covering the year 2015), the IAS will issue a **conclusion on the state of internal control** (limited type assurance[7]) to individual DGs/Services of the Commission and Executive Agencies as a contribution to the preparation of their Annual Activity Reports.

Consultancy engagements are carried out on specific request of an audited entity. These are accepted provided the IAS has sufficient knowledge in the specific area. For consultancy engagements, the IAS identifies 'issues for consideration' which are not subject to follow-up engagements.

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[7] The IAS conclusion on the state of internal control is limited to the management and control systems which were subject to an audit and does not cover those which had not been audited by the IAS or the IAC in the past three years (hence "limited" rather than "reasonable" assurance).

The IAS strives to achieve three specific objectives[8]:

Specific objective 1: To ensure that the work of the IAS adds value to the Commission services and the EU Agencies and other autonomous bodies and contributes to the improvement of their operations (external dimension).

The IAS periodically surveys its auditees on whether they consider that the audits and recommendations satisfactorily covered the risks and processes in their entity, added value to the auditees' operations and contributed towards effective risk management. In order to complement the information from the auditees, similar questions are addressed to IAS' key stakeholders: the Audit Progress Committee (APC) with regard to the Commission audits and the responsible Management Boards for the Autonomous Bodies' audits.

The IAS acknowledges the limits of such perception-based objectives and indicators. While in general, auditees reply to satisfaction surveys in a professional and neutral way, there can be occasions when controversial audits are concluded without reaching agreement on all issues and recommendations. In such cases, the IAS maintains its independent position and does not adapt its views to reach a higher score in the satisfaction survey. However, it is important to recall that even though stakeholders' surveys currently remain a useful tool for assessing the results of IAS' work and their use is recommended by the Institute for Internal Auditors (IIA), the results of these surveys can be regarded as subjective.

Specific objective 2: To ensure that the work of the IAS adds value by being conducted in accordance with the Financial Regulation and its Rules of Application, its internal methodology and guidelines and international auditing standards
(internal dimension).

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

Specific objective 3: To ensure efficiency and effectiveness in delivering the strategic audit plans through the annual audit plans.

The IAS uses a systematic and structured process, including a detailed audit risk assessment, to develop its strategic audit plans for the Commission and EU Agencies and other autonomous bodies. The strategic audit plans set out the audits to be carried out by the IAS over a period of three years and are intended to contribute to improving the effectiveness risk management, control and governance processes of the audited entities. The starting point for developing a strategic audit plan is to obtain a thorough understanding of the audited entities, their objectives and the key risks they face in achieving them. The strategic audit plans are drawn up to address the identified risks where judged to be significant. The audit plans are reviewed each year to reflect changes within the IAS and new and emerging risks faced by the Commission and EU Agencies and other autonomous bodies.

The IAS actively manages 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

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8 The 2015 Management Plan was structured in accordance with the ABB-activity structure of the IAS in 2014. The introduction of these three specific objectives resulted from the preparation of the 2016-20 Strategic Plan and the 2016 Management Plan.

regular analysis of the differences between budget and actual time spent on each audit.

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

However, the Audit Progress Committee (APC) - to which the IAS reports its audit work in the Commission and the Executive Agencies - follows closely the acceptance and implementation of IAS' recommendations and takes action where necessary, which has a considerable persuasive effect vis-à-vis the audited entities concerned.

1.2 Achievement of objectives as set out in the 2015 MP

The key results and achievements of general and specific objectives are reported against the ones set in the 2015 Management Plan. The AAR is structured by ABB activity to mirror the structure of the 2015 MP.

1.3 Core activities

1.3.1 Internal audit of the Commission

The aim of this ABB activity is to contribute to the effective and efficient performance of all Commission activities by providing independent and objective assurance and consultancy work.

In 2015, the IAS implemented the Commission decision to centralise its audit function. This resulted in the dismantling of Internal Audit Capabilities (IACs) in each DG and the IAS becoming the sole provider of internal audit services in the Commission. As part of this process, the IAS became responsible for the follow-up of open IAC recommendations[9]. The IAS also took over the responsibility previously assigned to IACs to provide a limited conclusion on the state of internal control to each Director-General/Head of Service as a contribution to the preparation of their AARs. These changes and new responsibilities led the IAS to review its business model. Following the allocation of 60 new posts, the IAS was re-organised, with the creation of a new Directorate, three new audit units and a central unit responsible for Quality Assurance.

The annual stakeholder survey provides an indication of how the IAS and its work are perceived by its key stakeholders (APC, Directors-General, Directors of decentralised EU Agencies and other autonomous bodies). The results are in general positive with satisfaction rates exceeding the set targets.

The audit plan of the Commission was fully implemented. Given the reorganisation that took place and the gradual filling of the new posts allocated to the IAS, the plan was adjusted twice during the year to take into account the increased availability of resources. It also took into account newly emerging risks. The results for the indicator on the use of auditors' time (with a minimum target of 75% of actual time spent on audit or audit support work) and on the difference between budgeted and actual time spent on audits (variance of no more than ±10%) were met, demonstrating an efficient and effective use of audit resources.

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9 The IAS performed a screening exercise of all open IAC recommendations in 2015. Following the exercise, 908 recommendations were transferred to the IAS to be followed up.

The target of on average =<30 working days for single auditee engagements and =<35 working days for multiple auditee engagements between the findings validation meeting and the final report delivery was not met (35 and 40 days respectively). This was due to a variety of reasons: (1) We noted an increased necessity for discussions with the auditees even after the validation of audit findings (first milestone in the process), i.e. once the reports reached a higher hierarchical level (draft report sent to the Director-General). (2) The reinforced quality assurance in the IAS meant that more time was spent on drafting audit reports. (3) It also reflects the extra coordination efforts to coordinate multi-DG audits, the resolution of issues regarding the interpretation of legal frameworks and the delays by auditees in providing comments.

Lessons learnt from 2015 have already been implemented in 2016, such as restricting the number of DGs to be part of a multi-DG audit (to reduce the length of the validation process) or to split multi-DG audits into more manageable chunks. In any case, the ambitious targets set for 2015 will be maintained for 2016.

Objective 1:
Improve the application of the principles of sound financial management and DGs' governance, risk management and control processes through delivery of high quality assurance and consulting services based on the risk-based audit plan consistent with the organisation's goals.

Result indicator:
Level of satisfaction of the auditees and the APC with the IAS' coverage of risks and processes.

Definition:
The Internal Auditor is independent in the manner in which he adopts his audit plan, which is intended to have an impact on the performance of the audited services. Thus it is important that the audited services, as well as the supervisory level (the APC), consider that the IAS is able to implement a risk-based audit plan consistent with the organisation's goals resulting in ensuring satisfactory coverage of the audit universe over a multi-annual period.
The level of satisfaction is measured via the following statement in the annual survey: *"In its audit work, the IAS reached a satisfactory level of coverage of risks and processes (in your entity) during the current three-year period".*

Source: Results of stakeholders' satisfaction survey

Baseline: New	Target (December 2015): • ***Results of the Directors-General and Heads of Service satisfaction survey show a satisfaction level of minimum (80%)[10]*** • ***Results of the APC annual satisfaction survey show a satisfaction level of minimum (80%)***
Combined result: **93% (target met)**	

Result indicator:
Level of satisfaction of the auditees and the APC with the added value of the IAS' (1) assurance services, (2) audit reports and (3) recommendations

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10 The stakeholders' satisfaction target has been lowered for the Commission respondents (to 80%) in comparison to the target for decentralised EU agencies and other autonomous bodies (90%). This is due to the major reorganisation of the Directorates dealing with the audit of the Commission's Directorates-General, Services and Offices, which will be implemented throughout 2015 and 2016 and which will need some time to reach full maturity.

Definition:
The level of satisfaction was measured through the annual stakeholders' satisfaction survey via the following statement: *"The IAS' recommendations are relevant, add value and are cost-effective, leading to better performance".*

Source: Results of stakeholders' satisfaction survey

Baseline: New	Target (December 2015): • ***Results of the Directors-General and Heads of Service satisfaction survey show a satisfaction of minimum (80%) for audit reports and recommendations*** • ***Results of the APC annual satisfaction survey show a satisfaction level of minimum (80%) for audit reports and recommendations***

Combined result:
82% (target met)

Objective 2:
Improve the performance of the Commission's Directorates-General, Services and Executive Agencies, through relevant audit work focused on performance (improved economy, effectiveness and efficiency)

Result indicator:
APC's and DGs' recognition of the added value IAS brings through addressing performance within the Commission/Executive Agencies

Definition:
APC and DGs were specifically asked whether they were satisfied with the added value which the IAS performance audits brought to the efficiency and effectiveness of their operations. The level of satisfaction was measured via the following statement in the annual survey: *"You are satisfied with the added value which the IAS performance audits bring to the efficiency and effectiveness of the audited operations".*

Source: Results of stakeholders' satisfaction survey

Baseline: New	Target (December 2015): • ***Results of the Directors-General and Heads of Service satisfaction survey show a satisfaction level of minimum (80%)*** • ***Results of the APC annual satisfaction survey show a satisfaction level of minimum (80%)***

Combined result:
82% (target met)

Objective 3:
Reach a high level of efficiency and effectiveness in the delivery of audit services by actively managing the audit process within the IAS.

Output indicator:
% of completion of the audit plan 2015

Definition:
The audit plan consists of the list of audit and follow-up engagements divided into C1 and C2 engagements. The C1 audit engagements must be started and completed in year N. The C2

engagements must be started in year N and finalised in year N+1.

For the audit in the Commission, the IAS prepared a plan on a baseline scenario taking into account that 2015 was a transition year and the actual available audit capacity was uncertain. The growing audit capacity led to regular adjustments of the audit plan and the completion of the audit plan was measured against the most recently updated plan.

Source: IAS/B and C monitoring tool

Baseline: 100% at end 2014	Target: • *100% of C1 engagements finalised* • *100% of C2 engagements started*
Result: **100% of C1 engagements finalised** **and 100% of C2 engagements started (targets met)**	

Output indicator:
% of time of auditors spent on direct audit work and audit support work.

Definition:
The internal audit capacity should be used efficiently for the implementation of the 2015 audit plan, meaning that a high proportion of the available time should be spent on real audit work *(% = Time the auditors spent on audit and audit support tasks / total working time recorded by auditors)*.

Source: GRC time recording

Baseline: 91% at end 2014	Target (December 2015): • *Time devoted to direct audit work and audit support work to reach at least 75% of available actual audit capacity[11]*
Result: **87% (target met)**	

Output indicator:
Timeliness of the completion and delivery of audit reports

Definition:
Average number of <u>working days</u> between the findings validation meeting and the delivery of the final report. The internal audit planning and implementation is carried out in a way that delays, which could jeopardise the delivery of the annual audit plan, are overcome.

Source: IAS/B and C monitoring tool

Baseline: (December 2014) 36 working days	Target (December 2015): • *30 days for engagement with 1 auditee* • *35 days for engagements with multiple auditees*
Result: **35 days (for single-DG engagements)** **40 days (for multi-DG engagements)** **(target not met, see explanation in the section 1.3.1 above)**	

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11 The targets for the activity "Internal Audit in the Commission" have been lowered due to the changes of the business model and organisational structure of this function.

Output indicator: **Difference (in %) between budgeted number of man-days per audit and the actual number of man-days spent per audit.** Definition: The indicator is monitored per audit engagement expressed as a percentage, calculated at the end of each engagement: *(actual number of hours – budgeted number of hours)/budgeted number of hours.* The average for the IAS as a whole = sum of the "differences" per engagement/number of engagements finalised. Source: Internal (GRC)	

Baseline: New	Target: • ***Margin of - 10% to + 10% of budgeted number of man-days***

Result: 5% (target met)

Main outputs in 2015		
Description	**Indicator**	**Target dates**
Audit and consulting reports as planned for 2015 and follow-up engagements	Completion of the 2015 Audit Plan	Target met by January 2016
Reports on the follow-up of the IAS recommendations issued to APC throughout 2015	Reports finalised and transmitted to APC (four in total)	Target met by December 2015
Overall Opinion on the financial management of the European Commission for the year 2014	Opinion issued	Target met by end April 2015
2014 Annual Report of the Internal Auditor (99.3 FR)	Report issued	Target met by end April 2015
2016-2018 Audit Plan	Audit plan covers critical and emerging risks, flexible enough to adjust to structural changes in the Commission	Draft plan established by December 2015 and finalised (after APC consideration) by February 2016

1.3.2 Internal audit of the decentralised EU Agencies and other autonomous bodies

The aim of this ABB activity is to contribute to the effective and efficient performance of the bodies covered by articles 208 and 209 of the Financial Regulation[12] and other autonomous bodies[13] by providing independent and objective assurance and consultancy work.

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12 Decentralised EU Agencies and Joint Undertakings.

13 European Schools, EDPS and EEAS.

In 2015, Directorate A completed 100% of the planned number of audit engagements.

The target result for the indicator on the use of auditors' time (min. of 80% of actual time spent on audit or audit support work) was exceeded (actual 86%) demonstrating an efficient and effective use of audit resources.

The target of issuing a final report within 30 days after the findings validation meeting was almost reached (actual average: 32 days). In the few cases where the target of 30 days was not met, this was usually related to the late arrival of the auditees' comments or the complexity of the comments requiring additional analytical work. In order to ensure that the target, which remained the same for 2016, will be met, Directorate A will transmit the input for the validation meeting more in advance to the auditee. This increases the chance that comments are received on time before the meeting and that any remaining complex issues will already have been resolved.

With regard to the indicators shown under objectives 4 and 5 below, which are mainly based on the results of the satisfaction survey among the Directors of EU Agencies and other autonomous bodies and Members of their Management Boards, Directorate A has reached good results. The ambitious target that 90% of the respondents would express satisfaction was overall reached. With regard to the added value which the IAS performance audits bring to the efficiency and effectiveness of the audited operations, the combined result (89%) was slightly below target (90%). Given the subjective nature of a stakeholder survey, results within a margin of +/-5% of the target are still considered as positive.

Objective 4:
Improve the application of the principles of sound financial management and the governance, risk management and control processes of the EU Agencies and other autonomous bodies through the delivery of high quality assurance and consulting services based on a risk-based audit plan consistent with the organisations' goals.

Result indicator:
Level of satisfaction of the auditees, the Management Boards and the Audit Committees (if applicable) with the IAS' coverage of risks and processes.
Definition:
The Internal Auditor is independent in the manner in which he adopts his audit plan, which is intended to have an impact on the performance of the audited services. Thus it is important that the audited services, as well as the supervisory level (the boards) consider that the IAS is able to implement a risk-based audit plan consistent with the organisation's goals resulting in ensuring satisfactory coverage of the audit universe over a multi-annual period. The level of satisfaction is measured via the following statement in the annual survey: *"In its audit work, the IAS reached a satisfactory level of coverage of risks and processes (in your entity) during the current three-year period".*
Source: Results of stakeholders' satisfaction survey

Baseline: New	Target (December 2015): • ***Results of the Directors' satisfaction survey show a satisfaction level of minimum (90%)*** • ***Results of the Management Boards and Audit Committees' annual satisfaction survey show a satisfaction level of minimum (90%)***

Combined result: **91% (target met)**

Result indicator:
Level of satisfaction of the auditees, the Management Boards and the Audit Committees (if applicable) with the added value of the IAS' (1) assurance services, (2) audit reports and (3) recommendations

Definition:	
The level of satisfaction was measured through surveys asking Directors, Management Board members and if applicable, Audit Committee members whether *"The IAS' recommendations are relevant, add value and are cost-effective, leading to better performance".* Source: Results of stakeholders' satisfaction survey	
Baseline New	Target (December 2015): • ***Results of the Directors' satisfaction survey show a satisfaction level of minimum (90%) for audit reports recommendations*** • ***Results of the Management Boards and Audit Committees' annual satisfaction survey show a satisfaction of minimum (90%) for audit reports and recommendations***

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Combined result:
92% (target met)

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Objective 5:
Improve the performance of the EU Agencies and other autonomous bodies through relevant audit work focused on performance (improved economy, effectiveness and efficiency)

Result indicator:
Recognition by the heads of the autonomous bodies, the management board members and (if applicable) the audit committee members of the added value which the IAS brings through addressing performance issues within the Agencies and Autonomous bodies.

Definition:
Directors, Management Board members and if applicable, Audit Committee members were specifically asked whether: *"You are satisfied with the added value which the IAS performance audits bring to the efficiency and effectiveness of the audited operations".*

Source: Results of stakeholders' satisfaction survey

Baseline: New	Target (December 2015): • ***Results of the Directors' satisfaction survey show a satisfaction level of minimum (90%)*** • ***Results of the Management Boards and Audit Committees' annual satisfaction survey show a satisfaction level of minimum (90%)***

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Result:
89% (target almost met)

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Objective 6:
Reach a high level of efficiency and effectiveness in the delivery of audit services by actively managing the audit process within the IAS.

Output indicator:
% of completion of the audit plan 2015

Definition:
The audit plan consists of a list of audit and follow-up engagements divided into C1 and C2 engagements. The C1 audit engagements must be started and completed in year N. The C2 engagements must be started in year N and finalised in year N+1.

Source: IAS/A monitoring tool

Baseline: New	Target: • **_100% of C1 engagements finalised_** • **_100% of C2 engagements started_**

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Result:
100% of C1 engagements finalised
and 100% of C2 engagements started
(targets met)

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Output indicator:
% of time of auditors spent on direct audit work and audit support work.

Definition:
The internal audit capacity should be efficiently used for the implementation of the 2015 audit plan, meaning that a high proportion of the available time should be spent on real audit work.
% = time of auditors spent on audit and audit support tasks / total working time recorded by auditors.

Source: GRC

Baseline: 82% at end 2014	Target: Time devoted to direct audit work and audit support work to reach at least 80% of available actual audit capacity.

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Result:
86% (target met)

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Output indicator:
Timeliness of the completion and the delivery of audit reports

Definition:
Average number of working days between findings validation meeting and final report delivery. The internal audit planning and implementation is carried out in a way that delays which could jeopardise the delivery of the annual audit plan are overcome.

Source: IAS/A monitoring tool

Baseline: December 2014 26 working days	Target: • **_30 days_**

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Result:
32 days
(target not met, see explanation in section 1.3.2 above)

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Output indicator:
Difference (in %) between budgeted number of man-days per audit and the actual number of man-days spent per audit

Definition:
The indicator is monitored per audit engagement expressed as a percentage calculated at the end of each engagement (actual number of hours – budgeted number of hours)/budgeted number of hours. The average for the IAS as a whole = sum of the "differences" per engagement/number of engagements finalised.

Data source: GRC

Baseline: New	Target: • **_Margin of - 10% to + 10% of budgeted number of man-days_**

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Result:
6% (target met)

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Main outputs in 2015		
Description	**Indicators**	**Target dates**
Audit and consulting reports as planned for 2015, follow-up engagements and strategic audit plans	Completion of the 2015 Audit Plan	Target met by January 2016
Reports on IAS recommendations issued to Agency Directors and Management Boards in case of open critical or significantly delayed very important recommendations (Under Article 82 (6) of the 2013 Framework Financial Regulation)	Reports/Notes finalised and transmitted to Directors and Management Boards (Annual exercise)	Target met by July 2015
Report(s) on cross-cutting issues in the EU Agencies and other autonomous bodies	At least one "note" or "report".	Target met by December 2015
Strategic Internal Audit Plans 2015-2017 or 2016-2018 to be prepared for those entities where the previous strategic audit plan is completed or has become obsolete.	Strategic Internal Audit Plans delivered where required	Target met by December 2015

1.4 Horizontal activities

1.4.1   Policy strategy and coordination for the IAS

This section includes all functions aimed at steering and coordinating the internal audit activity. These functions (such as strategy definition and coordination, strategic planning and programming, internal and external communication, co-ordination with internal audit stakeholders, document management, public access to documents and the hosting of the audit conference) contribute directly to the success of the IAS.

The IAS has contributed to the capacity building of the internal audit professionals, via for example the Auditor Forum seminars, which keep auditors abreast of recent developments in the internal audit profession as well as in the Commission (with an overall satisfaction rate of 81%). The Internal Audit Training Programme covered 100% of all approved training needs of this professional community. In total, 33 training sessions were organised, with an overall satisfaction rate of 88% (increase of 6% compared to last year). An in-depth training needs assessment confirmed that the programme is still in line with the learning needs of the IAS auditors.

Objective 7[14]:
To establish direct communication, consultation and feedback channels between management and staff to ensure that the IAS staff **(1) understands and shares the vision and objectives of the IAS,** **(2) is motivated and** **(3) has access to the information that is needed for working effectively together.**
Output indicator: **Number of structured opportunities ensuring a two-way communication between management and staff** Source: Staff Meetings

Baseline (2014): Two Staff Meetings	Target:

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14 The 2015 MP contained 2 result indicators on communication which referred to the Commission 2015 staff satisfaction survey. As the Commission did not conduct one in 2015, progress could not be assessed and therefore not reported in the AAR.

	• **At least three staff meetings per year**
	• **At least one directorate meeting per year for each directorate**
	• **Meetings for the newcomers with the Director-General (five per year)**

| **Results:** |
| Overall, the targets were mostly met and meetings were held, when necessary. Two staff meetings were held during the year (one being a Staff Seminar). In addition, five informal meetings for newcomers with the Director-General were held during the year. Directorate A organised two meetings for its Audit Units to present and discuss the latest changes to the IAS methodology. The two newly appointed directors of Directorates B and C and the director of Directorate A addressed staff during the Staff Seminar of 15 September 2015. |

Objective 8:
Increased capacity and the level of professionalism of internal auditors of the IAS and the EU Agencies and other autonomous bodies

Output indicator:
Internal auditors kept abreast of professional and Commission's developments relevant and useful for their work through structured opportunities for continuous learning

Source: Annual Training Needs Assessment/IAS Unit 01/ACC

Baseline:	Target:
6 Auditors Forum seminars held in 2014	At least 6 seminars in 2015

| **Results:** |
| Six seminars took place in 2015 (target met) |

Output indicator:
Topical discussions and exchange of good practices facilitated through hosting international conference for public sector internal auditors

Source: Conference Satisfaction Survey

Baseline:	Target:
84% in 2014	At least 80% of respondents satisfied with the role of the IAS in promoting topical discussions

| **Result:** |
| **91% (target met)** |

Output indicator:
The Internal Audit Training Programme (IATP) covers the necessary needs as defined by the Internal Audit Training Steering Committee.

Source: Annual Training Needs Assessment/IAS Unit 01/ACC

Baseline:	Target:
New	IAS Management confirming that the necessary needs are covered

| **Results:** |
| Target met: The Internal Audit Training Programme is generally in line with the needs of the internal auditors. Proposals for upgrading of the IATP were approved by the Internal Audit Training Steering Committee at its autumn meeting. |

Output indicator:
Methodology, lessons learnt and good practices shared within the community of internal auditors of the decentralised EU Agencies and other autonomous bodies through structured opportunities/tools of exchange of information

Source: Auditnet for the decentralised EU Agencies and other autonomous bodies

Baseline: 1 meeting in 2014	Target: 2 meetings of the Auditnet for the decentralised EU Agencies and other autonomous bodies in 2015
Result: Target met: Two meetings were held on 10 June and 21 October 2015.	

1.4.2 Management of the Internal Audit Service IAS

This activity is common to all services and includes functions that are necessary for running the IAS, such as financial management, HR and ICT.

The IAS aims at ensuring an **effective and efficient human resource and financial management** through a complete execution of the 2015 budget, through maintaining the right balance between stability/mobility of the IAS staff and maintaining the level of professional qualification of its auditors*.*

According to the Financial Regulation (FR Art 30), the principle of economy requires that the resources used by the institution in the pursuit of its activities shall be made available in due time, in appropriate quantity and quality and the best price. The principle of efficiency concerns the best relationship between resources employed and results achieved.

The respect of these principles is continuously pursued through the implementation of internal procedures and predefined practices. These procedures ensure that activities are executed in an efficient manner (e.g. the different workflows contribute to the efficient cooperation between staff, units and directorates) and according to the principle of economy (e.g. the procurement rules ensure procurement in optimal conditions). It is continuously fine-tuning its internal arrangements in order to improve the efficiency and economy of its operations.

- ***The main HR challenge for the IAS was to secure the required audit capacity for the implementation of its 2015 work programme.***

2015 was a challenging year for the IAS with a major recruitment campaign to reinforce the audit workforce with the 60 new posts allocated to it.

At the end of 2014, the IAS had launched a Call for Expression of Interest, open to officials and temporary agents in function group AD or AST. Of particular interest to staff working in IACs or in related areas, such as financial management and ex-post control, this call aimed to obtain the right mix of professionals for audit units composed of balanced teams of IAS staff and newcomers. A first wave of recruitments was launched in the last weeks of December and the recruitment process continued during Q1 2015. The IAS eventually recruited 23 staff from the former decentralised Internal Audit Capabilities.

In view of the increasing difficulty to find staff with the appropriate skills, the IAS explored other avenues, such as the recruitment of temporary agents and the organisation of an external competition for auditors which is planned to be published in spring 2016. According to the indicative planning, a reserve list of laureates is expected to be available in summer 2017.

Despite these recruitment challenges the IAS managed to gradually increase its auditor work force in the course of the year. At the end of 2015, only 13 vacancies remained to be filled.

Special attention was dedicated to the composition of the audit units of the new

Directorates B and C, consisting of balanced teams not only in terms of gender and nationality, but also with respect to audit expertise. Thus, for staff belonging to the former Directorate in charge of the internal audit of the Commission, the reorganisation of the service as of 1 January 2015 led to an internal redeployment, as audit units and their portfolios were spread over two directorates and eight units.

Moreover, continuing its efforts to slim down administrative and coordination functions so as to ensure that posts are allocated to areas in need of reinforcement, the IAS made 13 internal transfers in 2015 (12 redeployments in 2014):

- Further efficiency of administrative processes was achieved in 2015 through the decentralisation of the IAS' Centre d'Administration des Documents (CAD) to the units' secretariats.
- Directorate IAS.A was reduced from 3 to 2 units, whereby unit A/1, its responsibilities and its 7 staff members were transferred to the newly created unit 01.

The IAS continued thus to ensure an efficient and effective allocation of internal resources, whilst taking into account the reduction/reallocation of Commission staff through the staff reduction target agreed in the Inter-institutional Agreement of December 2013 and the redeployment tax.

With regards to the IAS IT strategy, a project to replace the current audit tool GRC was launched in 2015 and is planned to be completed in 2016.

| **Objective 9[15]:** |
| **Provide effective HR services in order to recruit, to support and to maintain a high-performance work force in the IAS** |

| Result indicator: |
| **% of completion of the recruitment target set for 2015** |
| |
| Definition: |
| Rapid recruitment on vacant posts allocated to the IAS in the context of the centralisation of the Commission's internal audit function. |
| |
| Source: Resources Team, HR scorecard definition |

Baseline:	Target:
	50% of 2015 posts filled in 2015 **increased to 80% at mid-year**
	95% of 2014 posts filled in 2015

| **Result:** |
| *2014 posts (posts of IAS prior to centralisation)* |
| Target met: At the cut-off date (31.12.15), 92 % of the establishment posts of the former 2014 structure were filled/earmarked for recruitments which means that 8 posts were vacant. |
| |
| *2015 posts (posts received in the context of centralising the IAS)* |
| Target met: At the cut-off date (31.12.15), 92 % of the new establishment posts received were filled/earmarked for recruitments or staff reductions[16], which means that 5 posts were vacant. |

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15 The 2015 MP contained one result indicator on overall staff satisfaction which referred to the Commission 2015 staff satisfaction survey. As the Commission did not conduct one in 2015, progress could not be assessed and therefore it is not reported in the AAR. A similar indicator (staff engagement index) has been introduced as a corporate indicator in the 2016-20 Strategic Plan.

16 Of the 60 new posts received at the beginning of 2015 in the context of the centralisation of the Commission's internal audit function, 6 posts have been earmarked for the IAS' contribution to staff cuts/redeployment (in 2015/2016).

Result indicator: **Staff are qualified to carry out their tasks** Source: Resources Team	
Baseline: 72 % of auditors fully certified (situation per 31.12.2014)	Target: 70% of auditors fully certified, **lowered at mid-year to 60%**
Result: **64%** The target of 70% continues to be a goal for the medium-term and new recruits are encouraged to strive for one certification. This is supported by a dedicated training and limited financial aid in line with Commission rules.	

Objective 10: **The resources of the IAS are managed according to the principles of sound financial management, and its underlying transactions are legal and regular.**	
Output indicator: **Percentage of the global envelope implemented** Source: Resources Team	
Baseline: C1: 97% (December 2014) C8: 83% (December2014)	Target: At least 98% for C1 commitment appropriations At least 95% for C8 payment appropriations
Result: By 31 December, 99 % of the C1 appropriations of the global envelope were committed. By 31 December, only 66 % of the C8 payment appropriations had been executed. This execution rate is lower than the target of 95 % and mainly due to the budget for missions carried over from 2014, which turned out to be higher than usual as a result of the lower forecast for missions to be carried out in Q1 2015. For 2016, thanks to a better use of 2015 appropriations for missions which will be carried out in Q1 2016, the execution rate of the appropriations carried over into 2016 is expected to be higher.	
Output indicator: **Ex-post control on missions carried out once per year** Source: Resources Team	
Baseline: 1 ex-post control carried out in 2014	Target: 1 ex-post control
Result: The ex-post control on missions was carried out and did not reveal major issues.	
Output indicator: **Overall cost of control** Definition: Estimation of the time spent on managing and controlling the administrative expenditure. The IAS' human resources and financial management, and its IT support tasks, have been outsourced under Service Level Agreements. Source: ICC/HR team	
Result: The time spent on managing and controlling the administrative expenditure is estimated at 0.25 AST FTE.	

Objective 11:
Information and Communication Technology (ICT) infrastructures, tools and services supports adequately the audit process

Result indicator:	
Rate of appreciation of auditors for the GRC support	
Source: ITIC Statistics	
Baseline: NEW	Target: 70%

Result:
The rate of appreciation of auditors for the GRC support is monitored via ITIC statistics. The satisfaction rate based on random emails was 85%, exceeding the target of 70%.

1.4.3 Coordination with the Audit Progress Committee

Objective 12[17]:
Together with the Chair of the Preparatory Group, drive the planning and implementation, including all necessary administrative and logistical support, of the APC annual work programme to ensure effective fulfilment of the APC's responsibilities in line with its Charter.

Result indicator:	
Appreciation of the APC members of the support provided by the Secretariat	
Source: Annual stakeholders' satisfaction survey	
Baseline (2013): 100%	Target: 95%

Result:
Satisfaction rate of 100%

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17 As the APC Secretariat was integrated in Unit 01 in 2015, this will no longer be a separate objective.

2. MANAGEMENT AND INTERNAL CONTROL

(Co-delegation to DG HR and DG DIGIT)

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

This examination is carried out by management, who monitors the functioning of the internal control systems on a continuous basis (and as far as the internal audit activity is concerned every 5 years by an external assessor in the context of the External Quality Review). Its results are explicitly documented and reported to the Director-General. The reports produced are:

- the report from the Authorising Officer in DG HR managing budget appropriations in co-delegation. The Authorising Officer in DG DIGIT reports in his own annual activity report in line with Article 3.4 of the Internal Rules;

- the contributions by the responsible IAS officials to the AAR, including the results of the assessment of the level of implementation of the Internal Control Standards in the IAS;

- the report on the ex-post control of mission expenses.

According to Art.98(1) of the Financial Regulation, the Director-General of the IAS (the Commission's Internal Auditor) may not be the Authorising Officer by Delegation (AOD). This role is exercised by the Director of IAS A.

2.1 Control results

This section reports and assesses the elements identified by management that support the assurance on the achievement of the internal control objectives[18]. The DG's assurance building and materiality criteria are outlined in 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.

The 2015 budget, title 28, covers the activity of the policy area 'Audit'. It includes two internal audit activities ("Internal Audit of the Commission" and "Internal Audit of the EU Agencies and other autonomous bodies") and three horizontal activities. The budget allocation for the IAS is not split between the five activities, but entirely included under the heading "Administrative expenditure of Audit policy area".

The administrative expenditure of the IAS totalled €12 m in 2015 (see annex 2, financial resources table). As provided for by the Internal Rules, 94.20% of the IAS' budget was directly delegated to PMO, DG DIGIT and DG HR.

The remaining 5.80% (see annex 2, table on the implementation of the global envelope) were co-delegated to DGs HR (3.35%) and DIGIT (2.45%)[19]. This co-delegated budget

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18 Effectiveness, efficiency and economy of operations; reliability of reporting; safeguarding of assets and information; prevention, detection, correction and follow-up of fraud and irregularities; and 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 32).

19 As of 2015, the delegation of powers is no longer laid down in cross-sub-delegations from IAS to DGs HR and DIGIT as in previous years, but by a Type II co-delegation, whereby the IAS is the primary AOD, while DGs HR resp. DIGIT are the secondary AOD.

relates to:

- €0.38m (C1 credits) and €0.02m (C4/C5 credits) to DG HR for the purpose of the provision of services in the area of human resources and financial management.
- €0.29m to DG DIGIT for the purpose of the provision of IT-related services, including services by DIGIT in its role of "system supplier" for the GRC[20].

According to Article 3.4 of the Internal Rules of the Commission, DGs HR and DIGIT bear the responsibility for these co-delegated appropriations and report on them in their own AAR.

The **IAS human resources and financial management**, and **IT support tasks**, have been outsourced under **Service Level Agreements to DGs HR and DIGIT respectively**. However, the IAS is responsible for all planning-related aspects. The Resources team within Unit 01 coordinates the resource management and monitors the budget execution. As from 1 January 2015, the HR team (previously "Cocell") has been integrated into Unit IAS 01.

Coverage of the Internal Control Objectives and their related main indicators

- ### *Control effectiveness as regards legality and regularity*

<u>Overall Conclusion Table</u>
(See IAS conclusions on the state of control for DG HR and for DG DIGIT)

Activity: Internal Audit	Procurement		*ICO indicators available at this level?*	*Any reservation?*
Administrative expenditure (94.20% of €12m)	N/A	11.28m€	(Direct delegation to PMO, DG DIGIT and DG HR) No issues reported	NO
Provision of services in the area of HR and financial management (3.35% of €12m)	N/A	€0.38m (C1 credits) €0.02m (C4/C5 credits)	(Co-delegated to DG HR) AAR DG HR: No issues reported	NO
Provision of IT-related services, including services by DIGIT in its role of system supplier for the GRC (2.45% of €12m)	N/A	€0.29m	(Co-delegated to DG DIGIT) AAR DG DIGIT: No issues reported	NO
Totals (coverage)		*€12m*		NO

The entire expenditure under title 28 is either delegated to PMO or co-delegated 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 DGs' controls are effective and that the payments under title 28 were legal and regular.**

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20 Governance Risk & Compliance IT tool.

- ***Efficiency and Cost-effectiveness***

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

Furthermore, as inter alia considerations about economies of scope and scale have been one of the reasons behind the Commission decision to set up centralised support Offices on behalf of all DGs, the IAS assumes that control efficiency and cost-effectiveness purposes are served as well.

As in the past, the IAS executed its **own controls to ensure compliance of the mission expenses** with the Commission's Guide to missions and IAS specific guidance. Therefore, all mission requests and cost claims are ex-ante controlled by the verifying officer, who performs this task in addition to her secretarial duties (see annex 5).

In addition, a risk-based sample of reimbursements is controlled ex-post by the Resources team within Unit 01. The ex-post control activity revealed no material errors thus indicating an effective ex-ante control. *(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)*.

- ***Fraud prevention and detection***

Since 2014, DG IAS has developed and implemented its own anti-fraud strategy for the period 2014-2016[21], elaborated on the basis of the methodology provided by OLAF. All standard preventive and detective control measures are in place in the IAS (segregation of duties, ex-post controls, collegiality of decisions). The services provided by DG HR and DG DIGIT are subject to their anti-fraud measures. As for the audit activity, leaking of confidential information (especially conferred by the auditees and the results of audit work), conflicts of interest and lack of objectivity have been identified as risks with a low probability.

During 2015, the IAS (1) continued to strongly rely on the ethical awareness and the stance of the IAS staff. An information package on ethics was signed for receipt by all new IAS staff recruited in 2015, and (2) carried out additional preventive and detective controls such as ex-post controls on missions and the follow-up of potential conflicts of interest if reported by recruitment panel members and/or candidates.

Based on the above, and taking into account that the IAS is a non-spending DG with a low fraud risk profile, we can conclude that its Anti-Fraud Strategy is complete and reliable.

The current AFS will be reviewed in the course of 2016 and an updated AFS, for the period 2017-2019, will be prepared by December 2016.

2.2 Assessment of audit results and follow-up of recommendations and reviews (by an external assessor)

This section reports and assesses the observations and conclusions reported by external assessors in their reports, which could have a material impact on the achievement of the

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21 Ares(2014)154518 of 24 January 2014

internal control objectives, and therefore on assurance, together with any management measures taken in response to the audit recommendations.

The IAS is required by the IIA professional standards[22] to undergo at least every 5 years an external quality assessment. In 2013, such an assessment was conducted for the Directorate responsible for "Audit in the Commission".

The results confirmed that the IAS is "Generally Compliant with the Standards"[23], which is the highest rating. Such an exercise was conducted in 2011 for Directorate A with the same result.

A new exercise is planned for 2016 and will cover the whole of the IAS in a single assignment.

2.3 Assessment of the effectiveness of the internal control systems

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 IAS 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.

The IAS' annual review of its implementation of the Internal Control Standards was based on a self-assessment exercise which was integrated in the annual management risk assessment survey. Overall the level of implementation of ICS was assessed positively by the 66 respondents of the survey. Compared to last year, the IAS' staff assessment of the IAS' compliance with the ICS has on average increased by 3% to 96%.

The effectiveness of the internal controls was also rated positively. For most ICS, more than 90% of the respondents considered controls as effective (score of 3 out of 5 or above) or they considered that they could not judge the effectiveness. Even for the standard with the lowest rating, ICS 12 on information and communication, almost 80% of the respondents considered the ICS to have been effectively implemented or they could not judge. This should be regarded as a positive result because the expansion and reorganisation of the IAS in 2015 represented a major internal communication challenge.

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

2.4 Conclusions as regards assurance

This section reviews the assessment of the elements reported above (in Sections 2.1, 2.2 and 2.3) and draws conclusions supporting the declaration of assurance and whether it should be qualified with reservations.

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22 International Standards for the Professional Practice of Internal Auditing – 1312, External Assessments: External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organization.

23 C(2013) 3317, Mission Charter of the IAS, p 6: "The IAS will adhere to the mandatory guidance including the Definition of Internal Auditing, the Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing as drawn up by the Institute of Internal Auditors. …"

The information reported in Section 2 stems from the results of management monitoring contained in the reports listed. These reports result from a systematic analysis of the evidence available. This approach provides sufficient guarantees as to the completeness and reliability of the information reported and results in a comprehensive coverage of the budget delegated to the Director-General of DG IAS.

Firstly, the entire expenditure under title 28 is either delegated to PMO or co-delegated 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 DGs' controls are effective and that the payments under title 28 were legal and regular.

Secondly, the ex-post controls executed on mission expenditures confirmed that management and administration of missions was implemented according to the Guidelines in the IAS.

And finally, the functioning of the internal control systems has been monitored throughout the year by the Internal Control Coordinator. Corrective and alternative mitigating controls have been implemented when necessary.

This approach provides sufficient guarantees as to the completeness and reliability of the information reported and results in a complete coverage of the budget delegated to the IAS.

Overall Conclusion

In view of the control results and all other relevant information available, the AOD's best estimation of the risks relating to the legality and regularity for the expenditure authorised during the reporting year is close to 0%.

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

The Director-General and the Director IAS/A, in his capacity as authorising officer by delegation, have co-signed the Declaration of Assurance.

3. Declaration of Assurance

We, the undersigned,

Philippe Taverne,
Director-General of the Internal Audit Service of the European Commission, and

Reinder van der Zee,
Director IAS/A, in my capacity as authorising officer by delegation,

Declare that the information contained in this report gives a true and fair view[24].

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

This reasonable assurance is based on our own judgement and on the information at our disposal, such as the results of the self-assessment 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, 23 March 2016

[Signed]

Philippe Taverne

[Signed]

Reinder van der Zee

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