



Annual Activity Report 2020

DG REFORM – Directorate -General for
Structural Reform Support

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THE DG IN BRIEF

The Directorate-General for Structural Reform Support (**DG REFORM**) was created in January 2020, taking over the work, previously carried out by the Structural Reform Support Service (SRSS), to help Member States to design and implement reforms as part of their efforts to support job creation and sustainable growth. Mr Mario Nava was appointed as new Director-General on 1 June 2020.

In 2020, DG REFORM included around 215 staff organised in five policy units and four horizontal units. Its headquarter is in Brussels and it has two decentralised offices - one in Athens (Greece) and another in Nicosia (Cyprus) - as well as a representative staff in Bucharest and Zagreb.

In 2020 DG REFORM continued to implement the **Structural Reform Support Programme** (2017-2020) allowing Member States to ask for technical support in a wide range of policy areas to implement:

- reforms identified by the European Commission, for example in its annual economic policy recommendations (the 'European Semester' process);
- measures that they have to take to implement EU priorities and EU law;
- reforms undertaken on their own initiative.

By now, DG REFORM is engaged in over 1 000 projects in all 27 EU Member States. With the entry into force in February 2021 of the new Technical Support Instrument, DG REFORM will continue - over the period 2021-2027- to coordinate and provide technical support to Member States in their reforms, including those for the recovery and resilience of economies and those linked to green and digital transitions.

DG REFORM is also responsible for strengthening the Commission's knowledge and coordinating activities in the field of governance and public administration.

Finally, DG REFORM coordinates the Commission's efforts to support the process led by the United Nations for the reunification of Cyprus. In this context, it is responsible for the implementation of the **Aid Programme** for the Turkish Cypriot community and for monitoring the application of the Green Line Regulation.

EXECUTIVE SUMMARY

A. Key results and progress towards the achievement of the Commission's general objectives and DG's specific objectives (executive summary of section 1)

The implementation of reforms is essential to strengthen the adjustment capacity of an economy and to help it move to a sustainable growth path. In 2020, DG REFORM continued to contribute to the Commission's general objective '**An economy that works for people**', by helping Member States to prepare and implement reforms for building more effective institutions, stronger governance frameworks and efficient public administrations. Moreover,

due to its broad range of activities, DG REFORM also contributed to other Commission priorities, including a European Green Deal and a Europe fit for the digital age

In 2020, in accordance with its specific objectives, DG REFORM continued to **strengthen Member States' capacity to implement growth-enhancing reforms through the provision of technical support**. To this end, while adjusting to the challenges imposed by the COVID-19 pandemic, DG REFORM managed to achieve the main annual targets of implementation of the technical support projects under the Structural Reform Support Programme (SRSP). The technical support projects agreed with the Member States under the SRSP were continued/started, ensuring a timely, relevant and quality activation of this support tailored to the needs of the Member States.

DG REFORM also continued to **steer and coordinate the provision of the technical support across the Commission departments** to enhance synergies and complementarities and avoid overlaps of the technical support requests. **Within the European Semester**, DG REFORM contributed to the drafting and assessment of the Country Specific Recommendations 2020, as well as to the drafting of preparatory documents ahead of the dialogue between the European Commission and Member States on the RRP, as foreseen under the new Recovery and Resilience Facility (RRF)¹ and the Technical Support Instrument (TSI)².

The overall positive results of the mid-term evaluation of the SRSP, as well as the organisation of the Member States' requests for technical support under the new TSI evidence the continued effort of the Commission to respond to the need of reforms and for a sustainable growth in the EU. As a new DG, in 2020 DG REFORM promoted its visibility and added value to Member States by enhancing its communication activities.

In 2020 DG REFORM contributed to **enhance green and digital transitions, sustainable growth and economic resilience through EU financial support to Member States' reform and investment plans**, by supporting Member States in the preparation of their territorial just transition plans and recovery and resilience plans.

In 2020 DG REFORM continued to ensure the traditional technical support **in the area of governance and public administration** and several initiatives were carried out to **strengthen the Commission's work and knowledge** in this area.

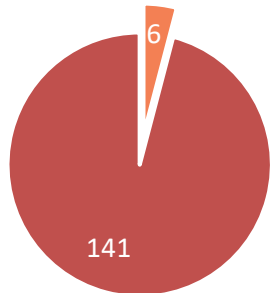
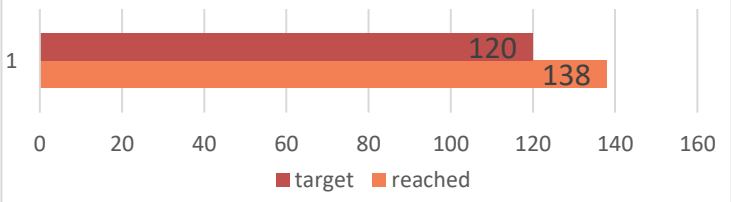
Finally, DG REFORM, continued to deliver assistance to the Turkish Cypriot community (TCc) under the **Aid Programme**, as well as to be actively engaged in supporting the resumption of settlement talks under the UN framework. The planned projects, although requiring adjustments because of the COVID-19 circumstances, were continued with tangible support deliverables for the TCc. The draft conclusions of the evaluation of the Aid Programme report that the programme can be considered as highly relevant and, given the particular

¹ Regulation (EU) 2021/241 - OJ L 57, 18.2.2021

² Regulation (EU) 2021/240 - OJ L 57, 18.2.2021.

circumstances of the TCc context, overall, as a successful initiative. The Aid Programme shows the EU has added value in the area.

B. Key Performance Indicators (KPIs)

KPI indicators		Data –Year 2020
1	% of technical support projects that produced the expected outcomes <i>Source of data: DG REFORM questionnaires to Member States after the projects' completion</i>	70%
2	Number of technical support interventions for the preparation and/ or the implementation of the Member States' recovery and resilience plans (RRPs) <i>Source of data: DG REFORM</i>	 <ul style="list-style-type: none"> ■ Capacity building for the preparation/ implementation of the RRP ■ Support for the implementation of the thematic RRP components
3	Number of scholarship grants awarded in the year for studying in an EU Member State (referring to the Aid Programme) <i>Source of data: DG REFORM monitoring tool</i>	
4	Residual error rate (RER) < 2% of relevant expenditure <i>Source of data: DG REFORM monitoring results</i>	0.58 % (overall amount at risk at closure of the relevant expenditure)

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

In accordance with the governance arrangements of the European Commission, (the staff of) DG REFORM conducts its operations in compliance with the applicable laws and regulations, working in an open and transparent manner and meeting the expected high level of professional and ethical standards.

To ensure the achievement of policy and management objectives, the Commission has adopted a set of internal control principles, based on international good practice. The financial regulation requires that the organisational structure and the internal control systems used to implement the budget be set up in accordance with these principles. DG REFORM has assessed its internal control systems during the reporting year and has concluded that it is effective and the components and principles are present and functioning well overall, but some improvements are needed. Please refer to AAR section 2.1.3 for further details.

In addition, DG REFORM has systematically examined the available control results and indicators, including those for supervising entities to which it has entrusted budget implementation tasks, as well as the observations and recommendations issued by the internal auditor and the European Court of Auditors. These elements have been assessed to determine their impact on management's assurance about the achievement of the control objectives. Please refer to Section 2.1 for further details.

In conclusion, management has reasonable assurance that, overall, suitable controls are in place and working as intended; risks are being appropriately monitored and mitigated; and necessary improvements and reinforcements are being implemented. The Director General, in his capacity as Authorising Officer by Delegation has signed the Declaration of Assurance albeit qualified by a conservative reservation concerning grant direct management (agreements signed with non-pillar assessed beneficiaries) under the Technical Support budget lines. Please refer to Section 2.1.4 for further details.

D. Provision of information to the Commissioner

In the context of the annual reporting activities and meetings during the year between the DG and the Commissioner on management matters, the main elements of this report and assurance declaration, including the reservation envisaged, have been brought to the attention of Commissioner Elisa Ferreira, who is responsible for Cohesion and Reforms.

E. Specific actions on COVID-19

In 2020, Europe was strongly impacted by the COVID-19 pandemic. The Commission has proposed a strong and coordinated response to the health crisis, as well as to the impact on Europe's economy and society. COVID-19 has also posed challenges as regards performance, control, audit and assurance in relation to the 2020 EU budget. In an exercise coordinated at corporate level, all Commission services have promoted a consistent and rigorous protection of the EU budget ensuring that appropriate mitigating measures were put in place.

During 2020, although some Member States had to shift their priority from the reforms to the response to the COVID-19 pandemic, DG REFORM continued to support them in the framework of the existing technical support projects. The operational and logistic restrictions imposed in the Member States, as well as the reduced in-person meetings with the national authorities, were duly taken into consideration and number of technical support projects and planned deliverables had to be rescheduled with contract amendments. Nonetheless, DG REFORM successfully managed to implement the annual expenditure as planned (cf. part 2), and to ensure effective business continuity by rolling out timely the TSI 2021 call for Member States' requests of technical support.

DG REFORM staff also adapted to new teleworking conditions: the training offer moved to online modules, as well as internal communication and ex-post control activities were mainly performed remotely.

The support provided under TAIEX SRSP was also affected by the pandemic, since the events could not take place with the physical participation of the stakeholders, some had to be

cancelled or postponed. The recourse to digital tools for exchanges (mainly online experts' exchanges) has ultimately increased the flexibility of this instrument with a positive impact also on the budget and the environment for the reduced number of flights of experts.

In 2020, DG REFORM also mobilised funds under the Aid Programme to cover the most urgent needs (personal protective equipment, laboratory devices, testing kits and ventilators) identified by the health sector to manage the COVID-19 pandemic impact on the Turkish Cypriot community (TCc). DG REFORM also provided an economic emergency package worth EUR 11 million to help address the socio-economic impact of the COVID-19 pandemic. This comprised mainly the emergency Small and Medium Enterprises (SME) grant support allowing self-employed and micro/small businesses to restock their supplies and cover other ad-hoc costs necessary to restart their operations.

The TAIEX experts from the European Centre for Disease Prevention and Control also provided regular assistance to the TCc. This support consisted in advising on immediate measures to combat the disease, including the surveillance system to monitor the local situation, prevent infections, manage systematic testing of suspect cases, source and contact tracing, and isolation of the cases. TAIEX experts also provided guidance on designing and establishing a more strategic crisis management response mechanism and on how to develop a vaccination deployment plan and registry for the TCc.

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

DG REFORM's activities contribute primarily to the achievement of the Commission's general objective, **'An economy that works for people'**. To this end, reforms enable Member States to build resilient economic and social structures. Effective implementation of reforms, the timely and adequate transposition and implementation of EU law, and efficient and effective use of EU funds are all vital for encouraging investment, unlocking Member States' growth potential, raising living standards and supporting economic and social convergence in the EU.

To help Member States address their reform challenges, DG REFORM provides technical support for the design and implementation of institutional and administrative reforms, including assistance for the efficient and effective use of EU funds. Given the wide range of areas in which it provides support, DG REFORM's activities also contribute to other Commission priorities, including the 'European Green Deal' and 'A Europe fit for the digital age'.

The year 2020 was marked by the global outbreak of COVID-19 pandemic. The confinement measures taken by EU Member States, although necessary for limiting the spread of the virus, have inevitably had grave economic and social impacts. In such a context, DG REFORM activities have become even more relevant than before to help Member States to continue making fundamental reform efforts to boost their economies and create the foundations of a sound recovery.

In 2020, based on the new multiannual financial framework (MFF) for 2021-2027, the Commission put forward a comprehensive EU Recovery plan including – inter alia – the following legislative proposals to help Member States recovering from the COVID-19 crisis and set a course for sustainable growth: the **RRF**, and the **TSI**, which is the continuation of the Structural Reform Support Programme (SRSP). The TSI has a reinforced mandate and an increased budgetary framework spanning over the period of the MFF. The political agreement on the TSI was reached already in December 2020, and the Regulation came into force on 19 February 2021³.

DG REFORM's mandate to help Member States design and implement reforms has then been further enhanced in the framework of the EU Recovery Plan, considering the sizeable amount of the funds available through the NextGenerationEU and the need for Member States to implement reforms and investments quickly and effectively.

Specific objective 1.1 Strengthening Member States' capacity to implement growth-enhancing reforms through the provision of technical support

The actions selected and implemented by DG REFORM are designed to make a significant contribution to Member States' national authorities in their efforts to identify and overcome certain structural weaknesses that impede the design and implementation of reforms.

In 2020, DG REFORM launched the first round of Member States' requests for technical support under the new TSI. 27 Member States submitted 706 requests for support, for a total estimated value of EUR 361 million. Following a thorough prioritisation exercise carried out in line with the criteria set in the Regulation, 226⁴ requests of technical support were finally selected for funding.

In addition, in 2020 DG REFORM continued to implement the technical support under the SRSP. Despite the challenges of the COVID-19 pandemic, which impacted the Member States' ability to follow up on some technical support projects as originally planned (cf. part 2), DG REFORM managed to reach the targets of technical support projects planned under the 2018, 2019 and 2020 work programmes (cf. Annex 2- outputs under the specific objective 1.1).

The technical support provided by DG REFORM in 2020 included: expert and fact-finding reviews; diagnostic analyses and provision of recommendations on how to address problematic issues in Member States, sharing of best practices through (online) seminars, conferences and workshops, and development and implementation of targeted solutions to address Member States' needs.

In 2020, TAIEX⁵ 'SRSP Peer 2 Peer' proved to be an effective, fast and flexible tool, complementing and adding value to the SRSP projects. Despite the challenges arising from

³ OJ L 57, 18.2.2021.

⁴ Cf. Specific objective 1.2.

⁵ TAIEX (Technical Assistance and Information Exchange instrument) - SRSP Peer 2 Peer is an instrument managed in cooperation with DG European Neighbourhood Policy and Enlargement Negotiations (DG NEAR) to put in place peer to peer exchange under the Structural Reform Support Programme. The instrument is available for SRSP projects since 2017 from inception to completion. The instrument provides short-term and tailor-made

the outbreak of the COVID-19 pandemic, 62 TAIEX-SRSP events were successfully implemented. These included expert missions, study visits, workshops and some 'work from home' events. Following the suspension of presential events in March, some of the planned events had to be cancelled or postponed. At the same time, the quick transition to online events allowed for continuing TAIEX SRSP activities and tailoring the instrument to support Member States in mitigating the impact of the pandemic. By adopting new ways of working, the digital leap has enriched the traditional face-to-face offer and increased the flexibility of the instrument, making it 'greener'.

The following sections provide an overview of the technical support activities carried out in 2020, by policy area.

In the field of **public financial management**, DG REFORM continued to provide technical support to improve public expenditure policies and to design, carry out and institutionalise spending reviews, with the objective to improve the efficiency, effectiveness and sustainability of public spending. Support was provided to some Member States to improve the quality of their national accounts and modernise their public accounting systems and transition towards accrual accounting in line with European Public Sector Accounting Standards. In 2020, DG REFORM provided support for the enhancement of the institutional and technical capacities of independent fiscal institutions and to strengthen the fiscal framework, mainly through actions to improve the design of national fiscal rules, develop fiscal risk management frameworks, enhance the quality of macro-fiscal forecasts and improve practices in local government finances.

DG REFORM also provided support to Member States to improve the **revenue administration** efficiency and effectiveness. The actions in this area focused on building capacity within Tax and Customs Administrations to improve their core business functions and managerial processes (including digitalisation), and improve the quality of taxpayers' services. Support was provided, for instance, to improve Member States' approaches and strategies, for instance, for enhancing voluntary tax compliance and tackling tax fraud and evasion. This included building capacity for the implementation of the EU anti-tax avoidance package and the design and application of anti-fraud strategies. In the field of **tax policy**, DG REFORM provided technical support to Member States to improve their analytical and technical capacity to assess the cost, benefits and socioeconomic impact of fiscal policy measures, to design green taxation reforms, and to develop methodologies for estimating tax gaps.

DG REFORM has provided substantial technical support in the area of **governance and public administration**. Details on this topic are presented hereafter (specific objective 1.4).

DG REFORM continued to assist Member States to identify barriers to the deployment of effective **public procurement** rules and procedures and to apply innovative methodologies, such as agile procurement for IT products. Some Member States were also supported in

expertise exchanges of technical assistance between public sector experts of Member States' administrations in order to build more effective institutions, stronger governance frameworks and efficient public administrations.

respect of the improvement of (e-)public procurement processes, in some cases, with the involvement of oversight institutions and business associations.

Further to the support to **local and regional governments**, DG REFORM initiated projects aimed at improving multi-level cooperation, structures, competences (e.g. training of senior local official and other civil servants) and finances, as well as local and regional service delivery to citizens and businesses. A new project is operationalising a Smart City governance framework for smart investments in regions, cities and municipalities.

In the area of **judicial reforms**, DG REFORM supported several Member States to enhance the efficiency of their justice systems through digitalisation, as well as to facilitate the use of mediation services. Other projects in this area include: support to make the complaint procedure more accessible and effective; to improve courts' administration and modernising judges' evaluation, promotion and training; support for the review of the Civil Procedure Rules; design and development of a structure which allows children victims of crime to be better supported by the criminal and justice system, and a multiannual support on a prison academy and the preparation of detainees for release. DG REFORM also supported Member States in the area of **anti-corruption** and integrity. To this end, it facilitated, for instance, the implementation and monitoring of the national anti-corruption plans, whistleblower protection mechanisms, corruption/fraud risks prevention, and transparency measures for the supervision of government expenditure.

In 2020, DG REFORM provided support in the areas of **business environment, better regulation, innovation**, and **competition** to several Member States. This included activities aimed at strengthening the capacity of the competition authorities to detect infringements, including through open source intelligence techniques and analysis of algorithms. DG REFORM provided support to develop the national strategies for Small and Medium-sized Enterprises for 2021-2027, as well as to prepare policy recommendations to assist family businesses.

DG REFORM provided expert advice aimed at enhancing performance in the field of research and innovation by promoting a more effective cooperation of the academia and the private sector. In the area of competitiveness, DG REFORM helped in developing strategies to sustain robust and inclusive growth in the long term. The technical support addressed ways to enhance Member States' ability to carry out economic analysis relevant for policy-making, and to underpin, for instance, the work of Competitiveness and National Productivity Boards. Finally, some DG REFORM projects supported improvements in the area of **spatial planning**, streamlining of construction regulation or improving the availability of housing through the development of national strategies.

In the area of **state assets management**, DG REFORM provided support in several Member States. An important example is the support provided to Bulgaria in view of its participation in European Exchange Rate Mechanism (ERM) II. This involved improving the governance of state-owned enterprises (SOEs) by revising and aligning legislation with the OECD Guidelines on Corporate Governance of SOEs. As a result of this project, the Commission services issued a positive assessment of the implementation of the prior commitment, which contributed to the overall decision to include the Bulgarian lev in the ERM II in July 2020. Bulgarian authorities also benefitted from support in the field of concessions/Public Private

Partnerships (PPPs), in order to develop guidance and capacity, including through study visits, for the preparation and launching of sound and successful PPP projects.

In 2020 DG REFORM also implemented projects to promote Member States' **investments**, for instance, by supporting the establishment of special economic zones; the review of the regulation to reduce barriers to foreign direct investment; or improving the attraction of foreign direct investment and exports, and evaluating public investments.

DG REFORM provided support to many Member States in the area of **energy**, and particularly in the area of electricity markets. The support provided includes, for instance, improvements of legislative and regulatory frameworks for promoting local energy communities and the use of Power Purchase Agreements on electricity; provisions of analytical and modelling expertise for the implementation of the energy efficiency directive and the long-term energy and climate planning. This latter technical support facilitated the finalisation of the National Energy and Climate Plans.

DG REFORM supported Spain in the development of regional strategies for coastal protection as part of the actions to fight **climate change**. During 2020, stakeholders consultations were launched to understand better the issues of the coast, and its physical, social and economic characteristics.

DG REFORM also continued to support Member States in their efforts for **sustainable development**, also by addressing the twin challenge of depopulation and demographic changes. DG REFORM provided assistance to Estonia in the area of **sustainable transports** for the preparation of a new transport and mobility development plan for the period 2021-2035. This resulted in an analysis of the transport sector focusing on the main challenges and opportunities facing the transport sector and identifying the country's needs in terms of infrastructure and reforms. It is expected that the project will contribute to develop a better policy on transport and ultimately contribute to reduce CO2 emissions for the benefit of people and businesses.

In 2020, DG REFORM continued technical support projects in the area of **health systems and long-term care** by supporting the development of eHealth strategies and establishing eHealth centres, and for applying artificial intelligence as an innovative digital tool to improve the efficiency of the health system. As part of a major reform effort to modernize the reimbursement of health services, DG REFORM supported the development of a reimbursement model for in-patient and for outpatient care. Member States were also assisted in redesigning the provision of mental health services, or reorganising the system of blood transfusion, paving the way for significant future investments. Support was also given for developing a hospital masterplan and improving the capacity planning of health system resources for the purpose of modernising hospitals.

In the field of **labour market policies**, DG REFORM supported Member States in building the capacity of the Public Employment Services and improving the design of active labour market policies. Support was further provided for the fight against undeclared work, for strengthening social dialogue, or to develop measures to reduce the gender employment gap or to improve the analytical capacity of the labour market and social security administration.

In the area of **social protection**, support was provided, for instance, to strengthen the coverage and effectiveness of supplementary pension savings and to reform disability assessment methodologies and policies. Finally, DG REFORM supported in-depth reviews of the national frameworks for social services and family support policies, and contributed to the implementation of the plan on 'housing first' to combat homelessness.

In the field of **education and training**, DG REFORM provided support for the design of a funding model to improve the efficiency of the higher education system and in the reform of the career system in higher education. DG REFORM assisted some Member States in improving students' well-being and performance by improving school preparedness to address bullying. Another example of technical support is the one delivered to improve the labour market relevance of vocational education and training (VET). DG REFORM also provided support to several Member States to set up coherent monitoring systems with concrete indicators to assess the implementation of new legislation and strategies on education.

In the field of **migration**, DG REFORM helped public administrations in several Member States build their institutional and operational capacity to integrate migrants and refugees, with a view to boost their inclusion in the labour market or help their integration in society at-large. In addition, DG REFORM advised authorities on how to address challenges related to the shortage of an adequately skilled workforce.

Throughout the year, DG REFORM continued to respond to the new ideas and needs of Member States for assistance with reforms in the **financial sector**. In 2020, DG REFORM focused particularly on the support to Member States in the field of **capital market development** and **sustainable finance and investments**, which are also Commission's policy priorities. The ultimate objective of green finance is to reorient capital flows towards sustainable activities and to address climate-related risks faced by the financial sector. DG REFORM supported some Member States in the preparation of **sustainable finance** action plans to identify barriers to sustainable finance, understanding the green finance aspects via dedicated workshops and capacity buildings, and help in the implementation of sovereign green bond frameworks. DG REFORM is promoting such initiatives in a coordinated way, by fostering peer learning between national administrations and promoting experience sharing and lessons learned across Member States.

In the area of **insurance sector supervision** DG REFORM prepared, designed and implemented in close cooperation with EIOPA (the European Insurance and Occupational Pensions Authority) a training programme relevant for all insurance supervisors across the EU. This represents an EU added value, since the consistent application of the European insurance regime (Solvency II) introduced in 2016, is presenting ongoing challenges. The programme aims to improve the administrative capacity of national supervisors; it will also promote convergence of Solvency II supervisory practices across the European Union and further develop cross-border supervisory cooperation. Seventeen supervisors from all parts

of the European Union have signed up to the programme, which is being implemented until 2021.

In 2020, the European Court of Auditors (ECA) completed an **audit⁶ on the effectiveness of the Commission's actions to build the Capital Markets Union (CMU)⁷**. The ECA reviewed some technical support projects under the SRSP which had been started in the last three years to reinforce the capacity of Member States' capacity in the area of capital market development. The Court concluded that DG REFORM provides technical support with a low level of financial and administrative burden to the Member States and that it has succeeded in supporting CMU-relevant projects.

Nevertheless, the ECA issued one recommendation for improvement (i.e. *Enhance the current demand-driven model of the technical support to reach those Member States with the highest needs, while focusing on results*). DG REFORM accepted this recommendation by agreeing on the continued improvement of the reach out activities organised as part of the annual calls for Member States' requests in the area of Capital Markets development, and the need to ensure that the technical support enables reforms in Member States. However, DG REFORM pointed out that the technical support remains a demand-driven instrument, which can be activated only upon the individual Member States' decision to make a request for support. Moreover, the technical support is not automatically granted to all Member States (including those with highest needs) who send a request for support. The technical support is subject to a competitive selection of all received requests, based on the criteria set in the programme regulation, the quality of all received requests, their expected impact and, ultimately, the Commission's available budget. Finally, the actual results of reforms depend on the degree of implementation by the Member States, who remain the ultimate responsible of reforms, even when technical support has been provided.

In other to inform on its activities and added value, in 2020 DG REFORM further enhanced its **communication activities** by developing a new website⁸ dedicated to the technical support projects in Member States; updating its communication materials, including its on-line brochures. In 2020, the brochures were downloaded more than 2000 times; this shows good result by the end of 2020, considering that they were available online for only six months. Furthermore in 2020 DG REFORM also launched its official Twitter account 'EU REFORM Support⁹' to engage in a more active communication with citizens and other stakeholders and to report on its main technical support projects' deliverables, as practically implemented in the relevant Member States.

DG REFORM performs **evaluations** at project and programme level. A feedback mechanism is performed on individual technical support projects with a 2-steps approach: at project closure to assess the satisfaction level of the main stakeholders involved in the design and

⁶ Special Report No 25/2020: Capital Markets Union – Slow start towards an ambitious goal.

⁷ The CMU was launched in June 2015 as a major EU initiative (part of the "Juncker Plan") to lay the building blocks of an integrated capital market in the EU by 2019.

⁸ The new website is expected to go online in the first quarter of 2021. Since the website is not yet published, the underpinning data on the number of visitors is not yet available (cf. Annex 9).

⁹ https://twitter.com/EU_reforms

the implementation of the project, and 6, 12, or 18 months, after project closure, to assess the achievement level of expected outcomes. In 2020, DG REFORM piloted the second step of the approach on a limited number of projects.

Furthermore, the SRSP is subject to a mid-term and ex-post evaluations¹⁰. In September 2020, DG REFORM completed the **SRSP mid-term evaluation**¹¹. The main conclusions are that the SRSP addressed the needs of Member States to a large extent; the projects were well designed and took into account the needs and the particular situation of the beneficiary authorities who requested support; the governance of the SRSP was efficient and the components of SRSP were coherent and logically linked to one another. The evaluation highlighted also the programme's clear EU added value. While the quality of the collected evidence was satisfactory, the mid-term evaluation took place while many technical support projects were still in progress. The report therefore provides only initial conclusions and lessons learned, which might evolve as the programme continues to be implemented. The preparation of the ex-post evaluation of the programme (also to be assisted by an external study) is currently ongoing and it will focus particularly on the longer-term impact of the programme.

Specific objective 1.2 Enhancing green and digital transitions, sustainable growth and economic resilience through EU financial support to Member States' reform and investment plans

Since 2016, DG REFORM has been providing Member States with extensive support expertise in a large portfolio of projects related to the green transition and climate-neutrality. DG REFORM's technical support to green projects has significantly increased during the implementation of the SRSP. In fact, under the 2020 SRSP, about one in four projects contributed to the goals of the European Green Deal, including climate actions.

In addition, DG REFORM committed to provide swift support to Member States to help unlock funding from the **Just Transition Mechanism**. To this end, in 2020, DG REFORM launched its first dedicated call for technical support projects to support the preparation of Member States' territorial just transition plans. Eighteen Member States requested technical support under this dedicated call. Such requests were all approved and therefore Member States will be able to build on DG REFORM tailor-made support to draft and finalise their territorial Just Transition plans.

In 2020, DG REFORM supported some Member States towards achieving the 2030-2035 EU **waste management** targets, in line with the EU Strategy and Action Plan for Plastics in the Circular Economy. Furthermore, DG REFORM continued to provide hands-on support to EU

¹⁰ The SRSP Regulation (art. 16) established that '*the Commission shall also provide the European Parliament and the Council with an independent mid-term evaluation report by mid-2019 at the latest and an independent ex post evaluation report by 31 December 2021*'.

¹¹COM (2020)603 final: https://ec.europa.eu/info/sites/info/files/report_en_final.pdf;
[Evaluation roadmap and report:](https://ec.europa.eu/info/sites/info/files/report_en_final.pdf)
<https://op.europa.eu/en/publication-detail/-/publication/43130beb-7474-11e8-9483-01aa75ed71a1>

regions preparing long-term economic strategies for their transition out of coal. Under the 2020 SRSP work programme, DG REFORM included two Member States' technical support projects on this specific matter.

Furthermore, DG REFORM contributed to the **mobilisation of green investments** in the economy by developing proposals for national implementation modalities of the Modernisation Fund, which is a dedicated funding instrument under the EU's Emission Trading System. At the same time, DG REFORM supported Member States in the area of building renovation, for example by contributing to the elaboration of national Long-term Renovation Strategies and by analysing the most effective ways for implementing a comprehensive public building upgrade programme.

DG REFORM noticed a substantial increase in Member States' demand for support in the area of e-Government and digital public administration (e.g. cyber-security prevention and strategic planning; implementation of change management and support for establishing new IT systems). Since digital transformation is one of the two pillars of the European Commission strategy for growth and resilience, DG REFORM supported, for instance, Greece in streamlining respectively its national public investments programmes and Germany in automating civil letters' management through machine learning. In the area of **digital transition**, DG REFORM supported a wide range of projects, for instance, to strengthen the competencies of the newly created Digitalisation Agency in Austria and to improve the Austrian digitalisation ecosystem through the exchange of best practices from other EU Member States.

In the context of the TSI 2021 call, DG REFORM selected 226 requests for technical support. Out of this final number of requests for technical support approved (i.e. 231, including 5 technical support requests still to be financed by the SRSP 2020 work programme), 65% of them relate to the Recovery and Resilience Plans (RRPs). Six Member States' requests relate to support for capacity building for the preparation/implementation of the RRP and 141 are requests related to the implementation of thematic RRP components (cf. KPI n° 2).

Specific objective 1.3 Steering and coordination of the provision of the technical support across the Commission departments, and as part of the European Semester

In 2020, DG REFORM continued to **coordinate** with other Commission departments **the technical support** to Member States and actively participated in the European Semester framework for economic and employment policy coordination. The Commission's departments continue to assess DG REFORM's coordination role of the technical support to Member States. The results of the survey related to the efficient and effective coordination activities carried out in 2020 with other DGs show that 95% of the other DGs were satisfied with the consultation process under the TSI round (cf. Annex 2).

Through the coordination mechanism – and together with other Commission departments, DG REFORM worked to enhance synergies and complementarities and avoid overlaps of the technical support requests -approved under the territorial Just Transition plans and the TSI 2021 calls - with other Union funds and programmes. Within the European Semester, DG

REFORM contributed to the drafting and assessment of the Country Specific Recommendations 2020, as well as to the drafting of the preparatory documents ahead of the dialogue between the European Commission and Member States on the RRFs as foreseen under the RRF and the TSI.

In 2020 the Internal Audit Service (IAS) concluded a comprehensive **audit on DG REFORM processes for coordinating technical support to the Member States** (including contributions of other DGs to the coordination mechanism).

The IAS concluded that DG REFORM has put in place processes for coordinating the provision of technical support to the Member States under SRSP and processes for selecting projects under SRSP, which are adequately designed and functioning effectively. While the audit did not result in the identification of any ‘critical’ or ‘very important’ issues, the IAS made some recommendations for further improvement (cf. part 2.1.2 and annex 7.5).

Specific objective 1.4 Improving, steering and coordinating knowledge on Public Administration and Governance as part of the European Semester and in the context of the technical support to Member States

In 2020, DG REFORM continued to work to strengthen the Commission’s work and knowledge in the area of public administration.

DG REFORM organised and chaired regular meetings of the **Inter-Service Group for Public Administration** quality and innovation (IGPA) to coordinate different public administration related initiatives and stimulate the exchange of experience among other Commission’s departments. In addition, nine thematic sessions were organised to discuss topics like measurement of different aspects, staff performance, and the role of public administration for the implementation of the Sustainable Development Goals.

To consolidate the Commission’s approach to public administration, DG REFORM also started working on a Staff Working Document, which will be published in 2021. DG REFORM also produced some **policy documents** highlighting country experiences, challenges and possible approaches in the areas of ‘pay on performance’ in public administrations and the management of implementation of the Sustainable Development Goals.

DG REFORM collaborated actively with the Directorate-General for economic and financial affairs (DG ECFIN) to prepare the presentation and discussion of the draft indicator-based on the **assessment framework of public administrations** to the LIME group¹². New indicators in the area of policy-making, human resources management and oversight institutions were designed and tested. The majority of such indicators were finally considered of a good quality and, therefore, were added to the assessment framework, whose overall results will be published in 2021. The country data produced was used for the thematic analysis in the EU Semester.

¹² Working Group on the methodology to assess Lisbon related structural reforms-
https://europa.eu/epc/working-groups-epc/working-group-methodology-assess-lisbon-related-structural-reforms_en

Through the **European Public Administration Country Knowledge** (EUPACK) project, DG REFORM complemented the country data with a collection of qualitative information on the performance and public administration reforms in the Member States. The EUPACK includes a number of thematic fiches that will be published in 2021; the DG also completed the feasibility analysis for a future study on measuring the cost of low quality administration in the EU. The country work has also supported the analytical work performed by other Commission departments under the newly introduced Rule of law report and will support the Commission's position on the proposals for the public administration sections of the national RRP.

In the area of **governance and public administration**, DG REFORM provided specific support to some Member States, for instance, to improve recruitment and training of senior civil servants; to increase efficiency and modernisation of public administrations; to improve Member States' policy- and law-making processes; strategic planning and internal procedures, or their capacity to monitor and evaluate public policies and reforms. Technical support was provided for the organisation and operationalization of a newly established structure within the Presidency of the Hellenic government aiming to plan, coordinate, monitor and evaluate governments' work. Support was also provided to selected ministries for building their capacity to formulate their annual action plans in collaboration with the aforementioned coordination structure.

Specific objective 1.5 Supporting the reunification of Cyprus through the Aid Programme and Green line trade

In 2020, DG REFORM continued to be actively engaged in supporting the resumption of settlement talks under the UN framework. The DG also continued to deliver assistance to the Turkish Cypriot community under Council Regulation (EC) No 389/2006 (the "Aid Regulation") and to monitor the implementation of Council Regulation (EC) No 866/2004 (the "Green Line Regulation"). In 2020, DG REFORM prepared the Annual Reports¹³ from the Commission on the implementation of the Aid Regulation and the Green Line Regulation related to the year 2019.

The Aid Programme pursues the objective of facilitating the reunification of Cyprus by encouraging the economic development of the Turkish Cypriot community with particular emphasis on the economic integration of the island, on improving contacts between the Turkish and Greek Cypriot communities and on preparation for the acquis. It is implemented in the areas of the Republic of Cyprus in which the Government of the Republic of Cyprus does not exercise effective control and where the application of the acquis is temporarily suspended pursuant to Protocol 10 of the Treaty of Accession. This implies that the Commission operates in a unique political, legal and diplomatic context.

¹³ Annual report 2019: Implementation of the aid regulation for the Turkish Cypriot community- https://ec.europa.eu/info/publications/annual-report-2019-implementation-aid-regulation-turkish-cypriot-community_en

The main outputs during 2020 were the following:

- DG REFORM continued to implement large **infrastructure projects**. This included the construction of the new trunk sewer in Nicosia and the irrigation works in Morphou. Implementation of the remedial works of the Famagusta sewerage network remains subject to obtaining clearance from the Republic of Cyprus on the use of the land and validation of the “design visa” by the Turkish Cypriot chamber of civil engineers. An additional "Local Infrastructure Facility" contribution agreement of EUR 5.7 million was concluded with the UNDP to continue supporting the established mechanism for EU-funded infrastructure investments.
DG REFORM helped putting in place an Integrated Waste Management Plan. The plan aims to provide a sustainable framework for continued reform, investment and action for upgrading solid waste management practices in line with EU standards.
- In the area of **social and economic development**, in addition to the measures taken in response to the COVID pandemic (cf. point E), DG REFORM continued investing in entrepreneurship and innovation and supporting business entry and development. Rural businesses were largely supported with grants signed for EUR 4.3 million. Implementation of the key education project to install science laboratories in primary and secondary schools was put underway.
- To foster **reconciliation, confidence-building measures and support to civil society**, DG REFORM continued to fund the activities of the Committee on Missing Persons and the bi-communal Technical Committee on Cultural Heritage. The programme also provided support to all bi-communal Technical Committees through a dedicated facility to help them overcome structural and practical obstacles faced in daily operations. Technical assistance was provided to increase the capacity of civil society organisations and to strengthen their role and democratic engagement in the TCc. A new call for proposals aiming at enhancing the capacity of Civil Society Organisations is ongoing.
- To **bring the TCc closer to the EU**, the Aid Programme funded 138 scholarships for Turkish Cypriot students to attend a university in the rest of the EU, under a scheme managed by the British Council. A pilot bi-communal scholarship programme was implemented, with four young scholars from Cyprus jointly attending the United World College (UWC). A new agreement was signed in 2020 to provide 20 additional bi-annual scholarships for the further two academic years.

Compared to last year, the number of TAIEX events decreased due to the COVID-19 pandemic and the reduced technical capacity of the beneficiary to effectively receive the assistance online. Nonetheless, **TAIEX assistance** continued in 2020 under 17 areas, or sectors, of the acquis, in order to facilitate the reunification of Cyprus. In total, 49 TAIEX events were organised. A new framework for TAIEX assistance was developed to cover the years 2020-2022, with 54 Member States experts selected through the process. Assistance will now focus on fewer areas but with reinforced support to achieve more tangible results.

The **evaluation of the Aid Programme** during the 2013-2018 period was concluded in 2020. The draft conclusions of this external study are overall positive: the programme can be considered as highly relevant and, given the peculiar circumstances of the TCc context, overall, as a successful initiative, and of EU added value. It is noted that the prospects for sustainability in most areas primarily rely on a continued EU support.

The EU Info Point, which DG REFORM manages together with the Representation of the European Commission in Cyprus, has undertaken a wide range of activities, including 429 **visibility and communication actions** organised in 2020. The COVID-19 challenges for physical events was transformed into opportunities of engagement for online activities and campaigning for EU's work in the TCc. The EU Info Point has covered more than 15 EU-related themes, including, for instance, LGTBI rights, gender based violence, and the European Green Deal Campaign with various webinars on energy efficiency, fire prevention, packaging waste, etc. Booklets were specifically prepared on education to boost skills, green line regulation and environment, as well as on private sector development and the EU support in response to COVID-19 pandemic. Seventeen events and education series were organised online during the lockdown period. These events attracted over 15,000 participants in 2020. A large scale COVID-19 information campaign was also implemented, with infographics distributed in the social media, local online and printed newspapers, audio-visual products broadcasted in social media, the local TV and radio channels.

2. Modern and efficient administration and internal control

2.1 Financial management and internal control

Assurance is provided on the basis of an objective examination of evidence 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 by internal and external auditors. The results are explicitly documented and reported to the Director-General. The following reports have been considered:

- The Authorising Officers by sub-delegations' (AOSD) reports and annual declarations on the 2020 operations;
- Available pillar-assessment reports for which DG REFORM relies on DG DEVCO compliance reports on international organisations and national agencies¹⁴;
- The reports on control results (management declarations and audit opinions) from entrusted entities (International Organisations) in indirect management, as well as the result of the Commission supervisory controls on the activities of these bodies;
- The contribution by the Director in charge of Risk Management and Internal Control, including the results of internal control monitoring at the DG level;
- The reports on recorded exceptions and non-compliance events referring to the activities of 2020 and any cases of 'confirmation of instructions' (Art. 92.3 FR);
- The limited conclusion of the Internal Auditor on the state of internal control, and the observations and recommendations reported by the Internal Audit Service (IAS);
- The observations and the recommendations reported by the European Court of Auditors (ECA);
- The ex-post control reports based on internal desk reviews made on a sample of transactions and the ex-post control reports following the external auditors' on-the-spot checks;
- The expenditure verification reports submitted by the grant beneficiaries in support of cost claims and conducted by external auditors.

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

¹⁴ Pillar assessment is an ex-ante assessment of the internal control system of an international organisation or national agency allowing them to sign a pillar-assessed grant or delegation/contribution agreement governed, as appropriate, by a specific administrative and financial framework signed by the Commission and the relevant organisation.

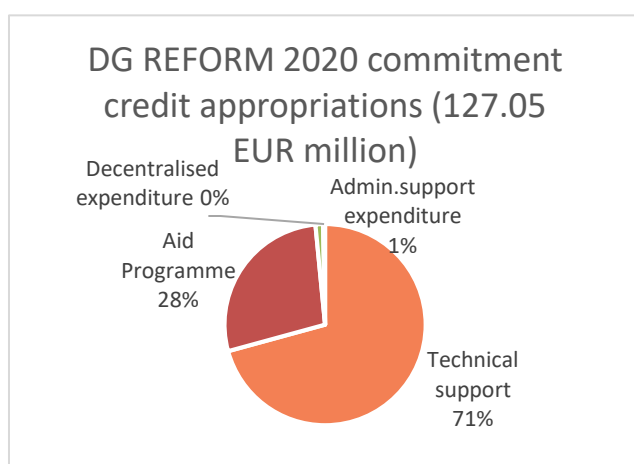
General of DG REFORM.

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

2.1.1 Control results

This section reports and assesses the elements identified by management, which support the assurance on the achievement of the internal control objectives¹⁵. The DG's assurance building and materiality criteria are outlined in AAR Annex 5. 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.

DG REFORM total budget for 2020 (commitment credit appropriations) was EUR 132.88 million, of which EUR 5.83 million was co-delegated¹⁶ to other Directorates-General



(i.e. NEAR for the management of TAIEX, DIGIT for the development and on-boarding of IT-tools and PMO and DG HR for managing other decentralized expenditures). As a result, DG REFORM centrally **managed a final amount of EUR 127.05 million** (including operational credits, support expenditure and global envelope). **98% of these credits were committed** in the following proportion: 72% under the European Structural and Investment Funds (ESIF) and the Structural Reform Support Programme (SRSP) and

28% under the Aid Programme.

DG REFORM implemented its funds by **direct management (procurement and grants) and indirect management**.

In 2020, DG REFORM continued to provide **technical support** to Member States in application of the ESIF funds available; the Structural Reform Support Programme (SRSP)¹⁷ and related work programmes (C(2018)1358¹⁸, C(2019)1542), C(2020)1026); the Regulation on the SRSP – Art. 11, as other financial contributions to the budget of the Programme)

¹⁵ Art 36.2 FR: a) effectiveness, efficiency and economy of operations; b) reliability of reporting; c) safeguarding of assets and information; d) prevention, detection, correction and follow-up of fraud and irregularities; and e) adequate management of risks relating to the legality and regularity of underlying transactions.

¹⁶ The receiving DGs have sole responsibility for implementing the appropriations co-delegated and shall report thereon in their annual activity reports.

¹⁷ Regulation (EU) 2018/1671 of 23 October 2018 amending Regulation (EU) 2017/825 to increase the financial envelope of the SRSP and adapt its general objective (EUR 40 million for 2019 and EUR 40 million for 2020).

¹⁸ Amended C(2019)2207 referring to the changed management mode of an action from indirect management to grant direct management.

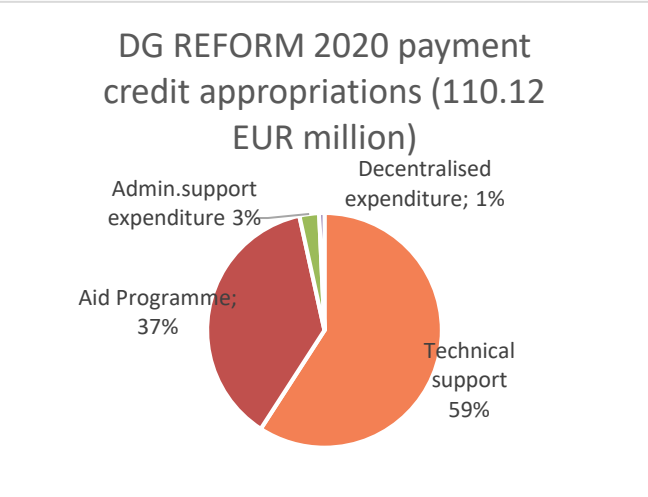
based on the voluntary requests of the Hellenic Republic (C(2018)3748) and C(2020) 4290, and Bulgaria (C(2018)5435)¹⁹ to entrust resources²⁰ to the Commission to support actions contributing to the delivery of the Union strategy for smart, sustainable and inclusive growth.

The 2020 Commission Implementation decision included provisions for recovery measures for the Greek economy in the aftermath of the COVID-19 pandemic and particularly in the areas most impacted during the pandemic, such as eGovernment, education and health.

Under the **Aid Programme**²¹, DG REFORM adopted its annual work programme (C(2020)4008 and C(2020)5698) establishing assistance initiatives to facilitate the reunification of Cyprus. This is done by encouraging the economic development of the Turkish Cypriot community, with particular emphasis on the economic integration of the island, the improvement of contacts between the two communities and with the EU, and the preparation for the acquis. DG REFORM also continued the implementation of the previous work programmes (C(2017)7156, C(2018)6695 and C(2019)6531).

In 2020, DG REFORM total budget for 2020 (payment credit appropriations) was EUR 113.86 million of which EUR 3.73 million was co-delegated²² to other Directorates-

General. EUR 4 million were added for the Aid Programme in the context of DG REFORM support to the TCc as response to the COVID 19 pandemic crisis. Such a reinforcement in the payment appropriations has allowed for the first payments for the local infrastructure facility projects and the economic grant scheme.



DG REFORM implemented 97% of the available appropriations by making payments for EUR 106.7 million, of which 61% under the European Structural and Investment Funds (ESIF) and the

Structural Reform Support Programme (SRSP) and 39% under the Aid Programme.

DG REFORM implemented the **SRSP and ESIF** payment credit appropriations primarily under direct management (68%), in the main following proportion: grant direct management (57%) and procurement (39%). Thirty-two percent of the credits were used under indirect management.

Fifty-one percent of the payment credit appropriations under **the Aid Programme** were

¹⁹ Amended C(2019)7707 including a new objective and results on the ‘strengthening the administrative capacity to monitor and control e-commerce’.

²⁰ A financial envelope of EUR 20 million from the Hellenic Republic under C(2018)3748), EUR 5 million under C(2020)4290) and EUR 1.5 million from Bulgaria.

²¹ Council Regulation (EC) No389/2006 of 27 February 2006 establishing an instrument of financial support for encouraging the economic development of the Turkish Cypriot community and amending Council Regulation (EC) No 2667/2000 on the European Agency for Reconstruction.

²² EUR 830,274 to DG NEAR, EUR 474,728 to DG DIGIT and EUR 2,428,239 to PMO and DG HR. having the sole responsibility for implementing the appropriations co-delegated and to report thereon in their annual activity reports.

used under indirect management and 49% under direct management, mainly through procurement contracts (67%) and grants agreements awarded following calls for proposals (33%) (Cf. graphs under annex 7).

In 2020 no credits were cross sub-delegated to other Directorates-General. The table below presents the **control results** related to DG REFORM activities as carried out in 2020 and in respect of **all payments made** per segmented area of expenditure.

Activity	Direct management (DM)	Indirect management (IM)	Internal control objectives – indicators available			IAS, ECA info	Reservation
	Grants and procurement (EUR)	Delegation/ contribution agreements (EUR)	L&R ²³	SFM ²⁴	Anti-fraud		
Technical Support (TS) (ESI credits and SRSP credits)	44,688,063.51 (operational/support expenditure)	20,768,367.69	✓	✓	✓	✓	No
	17,333,504.10 (Procurement)						
	19,368,844.99 (Grants Pillar-Assessed)						
	6,235,742.04 Grants Non-Pillar-Assessed)						Yes
	559,586.07 (support expenditure) 1,190,386,31 (adm. arrangements)		✓				No
Aid Programme	20,102,403.09 (operational/support expenditure)	21,135,136.36	✓	✓	✓	✓	No
	13,475,367.58 (Procurement)						
	1,500,000(Grants Pillar- Assessed)						
	5,047,395.51 (Grants Non-Pillar-Assessed)						
	79,640 (support expenditure)		✓				
Adm. expense	3,556.82						
Total coverage	64,794,023.42	41,903,504.05					
Grand total	EUR 106,697,527.47						

²³ Legality and regularity.

²⁴ Sound financial management.

1. Effectiveness: the control results and benefits

A. Legality and regularity of the transactions

DG REFORM is using internal control processes to ensure the adequate management of the risks relating to the legality and regularity of the underlying transactions it is responsible for, taking into account the multiannual character of programmes and the nature of the payments concerned.

In 2020, DG REFORM continued to process its financial transactions in accordance with the principles of sound financial management and legality and regularity by applying **ex-ante controls** placed in the operational and financial Units and ensuring respect of the ‘four eye principle’ and segregation of duties before authorisation. All operations performed in 2020 were reviewed ex-ante by the financial sector; this allowed any required quantifiable corrections to be made during the transactions’ process.

DG REFORM continued to operate under a partially decentralised financial circuit with counterweights (ex-ante financial initiation and verification) in the financial unit in order to manage the increased volume of its diverse operations more efficiently and effectively. The financial circuits were regularly updated during the year to reflect the new sub-delegations, the management of the Global Envelope in the DG²⁵, and, lastly, the changes of the budget nomenclature under the new multi-annual financial framework 2021-2027.

In 2020, DG REFORM updated procedural templates and workflows particularly under the direct (procurement and grant) management mode (cf. following sub-sections):

- ✓ to help ensure common implementation and respect of the EC legal framework, aimed at avoiding instances of deviations; and
- ✓ to streamline the financial operations linked to the projects of technical support under the SRSP and the projects financed by the Aid Programme.

The control systems for budget implementation continue to apply by reflecting the risks of the different management modes applied to the operations of DG REFORM programmes. The following main indicators of effectiveness also demonstrate the **quantifiable and unquantifiable benefits** generated by the effective functioning of DG REFORM controls as featuring in the list of relevant control systems for budget implementation (Annex 6):

Benefits: Unquantifiable costs of Court cases saved, including the time and cost of resources needed to deal with them. Mitigation of reputational risks affecting the mission of the DG.

- Number of litigation cases/ official complaints filed following calls for proposals/calls for tenders/awarding of direct grants: 2 related to middle and low value contracts. Such cases are limited and acceptable considering the increasing number and value of DG REFORM operations since its creation.
- Number of legal proceedings following complaints in procurement/grant procedures: zero

²⁵ Under the SRSS, previously managed by the Secretariat-General of the EC.

<p>Benefits: Effective application of legality and regularity provisions and prevention of potential financial loss (cf. also Annex 3- tables 6 and 8)</p>
<ul style="list-style-type: none"> • Value of ineligible cost claims in recovery context: EUR 284,904.02(vs EUR 246,651.19 in 2019; EUR 40,518.41 in 2018). • Value of credit notes in recovery context: EUR 1,966,062.63 (vs EUR 1.070,868.05 in 2019; EUR 605,127 in 2018) • % of payments suspensions (made for requesting clarifications/additional information before final payment): 19% (17% in 2019, 23% in 2018)
<p>Benefits: Effective use of resources in accordance with legality and regularity and sound financial management. Mitigation of reputational risk affecting the mission of the DG.</p>
<ul style="list-style-type: none"> • Number of critical audit recommendations received: zero
<ul style="list-style-type: none"> • Number of initial negative opinions to our inter-service consultations for the adoption of the annual financing decisions: zero
<ul style="list-style-type: none"> • % of implementation of ex-ante controls (additional sampled based detailed reviews²⁶ of beneficiaries' evidence supporting selected cost claims categories): 100% implementation with final results pending further clarifications to be provided by the relevant beneficiaries.
<ul style="list-style-type: none"> • Number of cancelled procurement procedures related to the technical support: 6²⁷ (i.e. 1.5% of the specific contracts and about 20% of middle and low value contracts made) due to lack of offers received; a cancellation of an event given the logistic restrictions imposed by the COVID-19 pandemic; cancellations at the request of national authorities after the tender submission.
<ul style="list-style-type: none"> • % of (TS) procurement procedures receiving only 1 offer (excluding those where only one tenderer was invited to bid): 9%
<ul style="list-style-type: none"> • Contractual amendments under the Aid Programme: 39 • Contractual amendments under the Technical Support: 110 <p>The COVID-19 pandemic has also somewhat affected the regular implementation of the contracted activities. This is evidenced by the high number of contractual amendments made particularly under the Technical Support, for instance, to change deadlines of activities, either at the request of the beneficiary authorities in the Member States or the contractors/beneficiaries. Considering the justified circumstances, DG REFORM has taken these possible mitigating actions to secure its activities.</p>

²⁶ Desk check strategy including ex-ante in-depth controls on payments targeting particularly non-pillar-assessed beneficiaries of grants (*for which the risk of errors is higher than for pillar-assessed organisations*). It consists of: a) continuing to carry out ex-ante controls on beneficiaries' estimated budget items before grants are awarded; and b) on a sample basis, asking beneficiaries to provide documented evidence supporting the sampled cost claims, with a view to ensuring that the amounts finally paid out are in accordance with the applicable contractual conditions on the eligibility of costs.

²⁷ Two requests for services under the framework contract for technical support and four negotiated procedures for middle and low value contracts.

The COVID pandemic has had no particular impact on DG REFORM ability to carry out procurement procedures and to secure the targets of the year in terms of procurement related activities and contracts signed. This is evidenced by the high percentage of budget implementation reached in terms of operational credit appropriations used (99%, compared to 98% in 2019 and 2018).

Finally, the main control objective in the area of legality and regularity is to ensure that the estimated residual error rate (the amount that remains uncorrected after the corrections of the errors in the audited payments) does not exceed 2% of the total annual expenditure for each activity (Annex 5 – Materiality criteria).

The residual error rate was calculated in accordance with the multiannual approach specified in the ex-post control strategy (cf. Annex 7.2). Therefore, the results presented in this section take into account the relevant audited amounts and the error rates identified since 2018. The results of the ex-post controls and the conclusions reached in respect of the DG REFORM error rates feature below, under each expenditure management mode.

a.1. Direct management

Procurement direct management

In 2020, DG REFORM implemented a total of EUR 32.6 million in payments²⁸ and signed contracts²⁹ for EUR 51.8 million under procurement direct management.

Further to the **technical support** credits appropriations implemented through procurement, DG REFORM made extensive use (about 82% of the contracts signed) of its 'Multiple framework contract'³⁰ for providing support for reforms in EU Member States' and other EC framework contracts by signing around 130 specific contracts mainly following re-openings of competition. The risks linked to the implementation of an established framework contract are considered to be minor, and, in any case, these were offset by a systematic re-opening of competition, which ensured an assessment of offers responding better to each technical support initiative.

DG REFORM also established some (7) contracts under the existing Calls of expression of interests and 21 contracts of middle and low values, below the Directive threshold of EUR 139,000³¹ for the provision of rapid mobilisation of technical support specific expertise. DG REFORM awarded such contracts on the basis of a systematic assessment of the established eligibility selection and award criteria. DG REFORM has demonstrated its commitment to adhering to the principle of wider competition and transparency applying to procurement procedures, by ensuring ex-ante publicity on the planned middle- and low-value contracts.

DG REFORM applied the same operational and financial ex-ante controls to all procedures leading to the signature of a legal commitment or an authorisation of payments, and continued to monitor from an operational perspective the projects and contracts milestones

²⁸ Including administrative agreements (TS) and support operational expenditure (TS and Aid Programme).

²⁹ Including administrative agreements, and contracts under operational and administrative expenses.

³⁰ SRSS/2018/01/FWC/002 (total value of EUR 100 million) with seven contractors signed on 19 July 2019.

³¹ Directive 2014/24/EU on public procurement.

through JIRA (IT tool).

In 2020 DG REFORM implemented the templates and guidance largely developed since 2018 and updated/developed templates in respect of data processing or to approve contract deliverables. Arrangements were also made for establishing a new framework contract to implement the future TSI.

Further to the implementation of the **Aid Programme** work programmes, DG REFORM managed various types of procurement procedures³² for establishing service, supply, work contracts (22 direct contracts) for instance to support the preparation, implementation and the evaluation of investment projects in the environmental sector, to modernise the TCc schools, to support the civil society organisations. DG REFORM also signed 6 specific contracts under established EC framework contracts, for instance, for IT maintenance and IT support to the EU Programme Support Office (EUPSO).

Ex-post controls

In line with its ex-post control strategy and the 2020 desk review plan, desk reviews were performed to check the legality and regularity of the procurement procedures completed by the DG and to identify areas for improvement, particularly following the previous year's results. The checks included the review of procedures closed in 2019.

DG REFORM reviewed ten procurement procedures³³ (for a total contract value of EUR 2,541,213.74) referring to the Technical Support, and 7³⁴ procurement procedures (for a total contract value of EUR 27,062,625) under the Aid Programme.

The procurement procedures related to the Technical Support were selected using the Monetary Unit Sampling methodology. The choice to limit the review to four requests for services was made considering the lower risks linked to the implementation of established framework contracts (e.g. already selected contractors). For the Aid Programme all procedures concluded in 2019 have been reviewed.

The results of the checks performed revealed some areas for improvement.

For the Aid Programme, the areas for improvement are related, for instance, to procedural issues and document management, not impacting the award decisions of the procedures reviewed.

For Technical Support, compared to 2019, improvements were noted in the implementation of procurement procedures; including the use of the ex-ante controls checklists (as updated in 2019 following the 2018 ex-post checks results and the guidance developed). Further areas for improvements refer to appropriate documentation of the results of the ex-ante

³² Between open, restricted, negotiated, simplified procedures.

³³ 6 negotiated procedures for the awarding of middle- and low-value contracts, 4 specific contracts implementing the multiple framework contract for support provided for the implementation of reforms in the EU Member States.

³⁴ 1 open procedure for a work contract; 2 restricted procedures for a service contract and 4 negotiated procedures without the publication of a contract notice consisting in a repetition of similar services or works (Annex 1- Art.11 FR2018). The procedures concluded with a single tender were excluded from the review because of the low value (up to EUR 20,000) of the contracts awarded.

publications and the update of template to ensure a better definition of selection criteria.

In light of these comprehensive reviews and considering that the identified weaknesses do not affect the procurement award decisions, nor they create any reputational risk for the DG, DG REFORM makes its best conservative estimates of the error rates for procurement of Technical Support and the Aid Programme in the range of 0.5% and 1.99% respectively.

Grant direct management

In 2020, DG REFORM implemented a total of EUR 32.1 million in payments and signed agreements for EUR 26.2 million under grants direct management.

In terms of values, 65% of the total payments under direct grant management were made to organisations, which undergo an overall European Commission's ex-ante assessment (called "pillar assessment"), which guarantee a level of protection and assurance (e.g. in accounting, internal control, audit and procedural terms) of the financial interests of the Union equivalent to that required under the Financial Regulation.

Moreover, the majority (69% in number and 87% in value) of all the payments processed in 2020 under direct grant management concerned initial pre-financing. Initial pre-financing payments does not expose the DG to risks, since the amounts are still considered assets of the Commission, which are only transferred to the beneficiaries when the final cost claims are accepted by the Commission.

With respect to the **Technical Support**, in 2020, DG REFORM has progressively reduced its number (36) of directly awarded grants, compared to last year (62). The majority (72%) of these direct grants were provided to 'non-pillar-assessed' grant beneficiaries, including Member-State public bodies and other bodies with a public service mission, which, in view of the nature of the technical support action, have a recognised and relevant technical competence, and a high degree of specialisation. Such grants are subject to DG REFORM in-depth ex-ante³⁵ and ex-post controls (financial audits). The rest were 'grant agreements' with pillar-assessed organisations such as the International Bank for Reconstruction and Development (IBRD) or the International Monetary Fund (IMF). Both pillar and non-pillar-assessed grants are subject to ex-post controls (cf. following section).

DG REFORM continues to contribute to the implementation of the Commission's strategy 'EU budget expenditure focused on results', by implementing interventions according to a 'logical framework approach' (LFA) based on robust planning, outputs, outcomes and performance indicators for the implementation of the SRSP funds in both direct and indirect management. It is considered that such an approach contributes to efficiency and effectiveness of financial activities and therefore it will be continued in the future. Finally, the DG piloted two direct grants in the electronic environment (e-grant) to explore more effective and efficient management practices.

Under the **Aid Programme**, DG REFORM awarded almost all of its total (57) grant agreements of a total value of EUR 7.2 million, following a call for proposals published in 2018³⁶. Another call for proposal related to the Cypriot civil society in action VII³⁷ was

³⁵ Under the ex-ante control strategy on non-pillar assessed grant payments.

³⁶ EuropeAid/161357/DH/ACT/CY 'Rural Development Sector Programme IV -Support for investment in agriculture'.

launched in 2020 and it is currently ongoing.

In terms of payments, 23% of the payments under grant direct management was made to pillar-assessed grant beneficiaries (IBRD) and the rest to grant beneficiaries under the terms of the grant agreements awarded following calls for proposals.

Operational and financial monitoring has been carried out during the life of the grants generally through verification of deliverables (e.g. interim, final reports) submitted by the relevant beneficiaries. Moreover, where appropriate, action grant (non-pillar-assessed) agreements for a value higher than EUR 100,000 (Aid Programme) and EUR 325,000 (Technical Support) were subject to verification of the action's expenditure by external auditors. In 2020, DG REFORM received audit certificates supporting the payments for EUR 3.5 million related to 6 grants (3 TCC and 3 TS) agreements. The objective of this expenditure verification is to assist the Contracting Authority in evaluating, before final payments were made, whether the fees and expenditure claimed by the beneficiaries on the invoices and financial reports were eligible, and in accordance with the terms and conditions of the signed grant agreements.

Ex- post controls

In accordance with its ex-post control strategy, DG REFORM outsourced the audits of the grant payments made under the Technical Support and the Aid Programme. Under the COVID-19 pandemic restrictions, the financial audits were performed remotely with a view to ensuring results contributing to the DG's annual assurance.

Grants with pillar assessed (PA) organisations

For the pillar assessed grants the DG REFORM obtained the necessary level of assurance from: i) the ex-ante pillar assessments, demonstrating that those beneficiaries have a level of financial management and protection of the EU's financial interest equivalent to that of the Commission and ii) from the results of previous audits (2018 and 2019) concluded with three pillar-assessed organisations, which reported no error.

Nevertheless, in order to have also pillar-assessed grants sufficiently represented in the audit plan, three costs claims from one pillar assessed entity have been included in the 2020 audit plan which reported errors equal to 0.15% (detected error rate in 2020). Since no errors were detected in the previous years in this segment of expenditure, the materiality of such errors is well below 2% (0.05% residual error rate at multiannual level).

Grants with non-pillar assessed (NPA) organisations

DG REFORM arranged the following on-the-spot audits to review:

- ten grant agreements of a total of EUR 2.58 million which represent 69,1% of the payments made under grants with non-pillar-assessed organisations closed in 2019 and 16,8% of the payments made under all grants closed in 2019 under **Technical Support (TS)**, and

³⁷ EuropeAid/169185/DH/ACT/CY.

- three grant agreements of a total value paid of EUR 0,45 million, representing 36,4% of the audit population of the grant agreements³⁸ under the **Aid Programme**.

Despite the remote audits organised, the COVID pandemic circumstances have caused some delays to the audit processes with the ultimate result that not all the final audit reports have been received. The available audit results³⁹, being representative of the concerned sub-population, have been considered for a conservative calculation of the error rates on the audited amounts to conclude as to whether a reservation is to be maintained in this specific segment of expenditure.

Aid Programme grant agreements - NPA

The audit results referring to the grant agreements made under the Aid Programme confirmed no material error, therefore DG REFORM conservative estimate of the detected error rate is set at 0.5%.

Technical Support grant agreements - NPA

While three grant agreements were free of errors, the auditors reported material errors (above 2%) for two other agreements, and errors below 2% for two other ones.

In addition, the auditors reported a limitation of scope regarding personnel costs for three additional audit reports due to unavailability of the complete evidence needed for the conclusions. This was linked to the limitation of the beneficiaries based in the UK to be able to access their offices due to the COVID-19 pandemic. Consequently, the personnel costs of these three agreements were not factored in the calculation of the error rate. The other costs declared in the context of these agreements were audited and therefore taken into account in the calculation of the error rate. Amongst these three reports with scope limitation on personnel costs, one was free of error regarding the other costs, and two showed a material error above 2%.

Because of this situation, DG REFORM considered the detected error rates of all cost categories (except those under a scope limitation) and reached a result of 3,66% as detected error rate at multi-annual level. On such a basis, DG REFORM calculated the residual error rate (2,54% at multiannual level) applying to this segment of expenditure to confirm the appropriateness of a **conservative reservation**.

For all final reports containing errors DG REFORM will notify the final overpaid amounts according to the results in the final audit report.

Based on these detected error rates, the DG REFORM is of the opinion that the control procedures in place give the necessary guarantee for the legality and regularity of the underlying transactions, **except for** a limited area of **non-pillar-assessed grants under the funds for Technical Support (SRSP and ESIF)**, for which the residual error rate - calculated on a multi-annual level- is at 2,54% (cf. 2.1.4 Conclusions on the assurance).

³⁸ Grant agreements whose final payment were made in 2019.

³⁹ Including three draft audit reports issued to beneficiaries as part of the contradictory procedure.

a.2. Indirect management

In 2020, DG REFORM implemented a total of EUR 41.9 million in payments and EUR 60.9 million in commitments under indirect management.

DG REFORM continued to select entrusted entities in alignment with the legal framework, i.e. either the entrusted entity is already identified in the Commission's financing decisions or the choice of the selected entity is justified by compliance with the criteria already established in the annual Work Programme.

Under the **Technical Support**, DG REFORM made EUR 33.9 million in commitment and EUR 20.7 million in payments related to technical support projects managed by pillar-assessed organisations.

Under the “umbrella” agreements established for instance with the European Bank for Reconstruction and Development (EBRD), the Organisation for Economic Co-operation and Development (OECD), and the Council of Europe (CoE), in 2020 DG REFORM signed delegation agreements for technical support projects worth EUR 23 million. Such legal arrangements, complemented by operational guidelines, secure DG REFORM strong and stable cooperation with such international organisations. From a financial perspective, the umbrella agreements significantly reduce costs, as they group a number of projects into a single agreement and therefore significantly reduce the workload. During implementation of the agreements, payments and reporting are consolidated at the level of the agreement. DG REFORM also cooperated with other international organisations such as the UN or the British Council. (cf. annex 10).

In 2020, a share of the **Aid Programme** resources for the Turkish Cypriot community (TCc) were implemented by indirect management (EUR 21.1 million in payments to the British Council⁴⁰, the EBRD⁴¹, NiCO⁴² and the UNDP⁴³), and EUR 26.9 million in commitments mainly with NiCO within the ‘Innovative Entrepreneurship and Dialogue’ project (cf. annex 10).

Delegation/contribution agreements are considered to be low-risk operations because the entrusted entities apply their own established controls on their own accounting, internal control and audit systems, which have been positively assessed already in the ex-ante pillar assessment to manage the EU entrusted budget, and they are moreover bound by an obligation of detailed reporting, including final audit reports/opinions.

DG REFORM ensured appropriate supervision of the entrusted tasks by applying operational and ex-ante financial controls similar to the controls over the expenditure under direct management. DG REFORM controls include a thorough examination and approval of the progress and final reports, the entrusted entities' management declarations and, if any, the audit or control opinions provided under the relevant agreements. In 2020 DG REFORM received the EBRD's positive management declaration and audit financial statements related to DG REFORM contributions for the implementation in 2019 of nine delegation

⁴⁰ For the EU Scholarship Programme for the TCc.

⁴¹ For the Implementation of an SME competitiveness integrated finance for the TCc.

⁴² Northern Ireland Cooperation Overseas (NI-CO Ltd) - for the Innovative Entrepreneurship and dialogue for the TCc.

⁴³ For the Support to the Committee on Missing Persons in Cyprus (phase 11).

agreements under the Technical Support (8) and TCc (1) of a total value of EUR 9.1 million.

DG REFORM has reasonable assurance about the legality and regularities of the transactions processed under indirect management. Based on these elements, DG REFORM best conservative estimate of the error rate under indirect management is set at 0.5%.

a.3. Exceptions, non-compliance events and other deviations

The total final number of exceptions (5) and non-compliance events (9) recorded in the 2020 is in the range of numbers of last year⁴⁴, although slightly increased in respect of the number of non-compliance events notified.

The significance of the majority of exception requests and non-compliance events signed is medium in quantitative and qualitative terms. The majority of exceptions and weaknesses recorded refer mainly to amendments established outside the validity period of the contracts (Technical Support). In some cases, the timeliness of such operations jointly managed with contractors has been impacted by the COVID-19 pandemic circumstances.

Based on the information reviewed; it can be concluded that the deviations recorded in 2020 have no major impact on the legality and regularity of the DG REFORM operations, and in any case, the DG has demonstrated to take appropriate actions to reduce the likelihood of similar errors in the future.

In 2020, DG REFORM recorded no case of:

- 'Confirmations of instructions' related to irregularities or cases contrary to the principle of sound financial management to be reported to the Authorising Officer (art. 92.3 FR);
- 'Derogations from non-retroactivity principle' (art. 193.2 FR), i.e. the acceptance of costs incurred before the project grant application was submitted;
- 'Financing not linked to costs' (Art.125.3 FR, i.e. when contributions are based on the fulfilment of conditions or the achievement of results);
- 'Financial Framework Partnership established and longer than 4 years' (Art. 130.4 FR);
- 'Flat rates above 7% for indirect costs' (Art 181.6 FR) paid under grant management, decided by reasoned Commission Decisions.

Having regard to the completeness and reliability of the factual information described under the above sections, DG REFORM concludes on the overall effectiveness of its control results regarding the **legality and regularity** of its operations in 2020. **However**, considering:

- the residual error rate resulting from the external auditors' findings and referring to a limited area of non-pillar-assessed grants (2,54 RER%) under the funds for Technical Support (SRSP and ESIF), and its impact on the amount at risk, although limited to non-pillar-assessed grants.

⁴⁴ 4 exceptions and 6 non-compliance events in 2019.

DG REFORM takes the conclusion on the need to maintain a reservation on direct grant management with non-pillar assessed organisations under the Technical Support funds (cf. 2.1.4 – Conclusion on the assurance).

✓ **Amount at risk at payment and at closure**

DG REFORM portfolio consists of segments with a low error rate, and only one segment of expenditure with an error rate higher than 2% of materiality, i.e. grant direct management with non-pillar assessed organisations under the Technical Support funds. For this latter segment with control weaknesses, the main causes of errors are related to incorrect calculation of eligible costs claimed or costs not matching with accounting records, costs claimed not linked to the project, costs claimed not outlined in the budget and lack of evidence of payments.

The management actions taken to address these weaknesses consist mainly in a) performing in-depth ex-ante control checks on sampled final payments; b) continuing instructing beneficiaries on the eligible actions for final cost claims and c) ultimately, recovering the undue paid amounts as a result of the annual ex-post controls. In this context, the improvements made during the reporting year (i.e. annual financial audits) already resulted in the identification of undue paid amounts, which will then be recovered.

DG REFORM's relevant expenditure, estimated overall risk at payment, estimated future corrections and risk at closure are disclosed in Table 1.

The estimated overall risk at payment for 2020 expenditure amounts to 0.62M€, representing 0.96% of the DG's total relevant expenditure for 2020. This is the AOD's best, conservative estimation of the amount of relevant expenditure during the year not in conformity with the contractual and regulatory provisions applicable at the time the payment was made.

This expenditure will subsequently be subject to ex-post controls and a proportion of the underlying errors will be detected and corrected in subsequent years. The conservatively estimated future corrections for 2020 expenditure amount to 0.24 M€. This is the amount of errors that the DG conservatively estimates will be identified and corrected by controls planned to be carried out in subsequent years.

The difference between those two amounts results in the estimated overall risk at closure of 0.38 M€, representing 0.58% of the DG's total relevant expenditure for 2020.

In the context of the protection of the EU budget, the DGs' estimated overall risk at payment, estimated future corrections and risk at closure are consolidated at Commission level in the AMPR.

DG REFORM total amounts at risk at payment and at closure have increased proportionally to the increased value of related payments processed on an annual basis. However, the related percentage of the overall risk at payment (0.96%) and at closure (0.58%) of the total relevant expenditure is still very small. Nonetheless, DG REFORM ex-post control capacity operates since 2018 annual audits on grant direct management and annual ex-post checks on procurement. Ex-ante controls have also been reinforced overtime (e.g. ex-ante strategy on grant payments) in the areas where errors were detected and a

reservation issued (i.e. grant direct management with non-pillar-assessed organisations). Considering such mitigating measures, DG REFORM demonstrates to have an established corrective capacity, which is functioning and whose results are progressively showing in terms of amounts corrected and recovered.

Notes to the 'Estimated risk at closure' – table 1

(1) Differentiated for the relevant portfolio segments at a level, which is lower than the DG total.

(2) Payments made or equivalent, e.g. expenditure registered in the Commission's accounting system, accepted expenditure or cleared pre-financing. In any case, this means after the preventive (ex-ante) control measures have already been implemented earlier in the cycle. In all cases of Co-Delegations (Internal Rules Article 3), "payments made" are covered by the Delegated DGs.

(3) New pre-financing actually paid by out the department itself during the financial year (i.e. excluding any pre-financing received as a transfer from another department).

(4) Pre-financing actually cleared during the financial year (i.e. their 'delta' in the Financial Year 'actuals', not their 'cut-off' based estimated 'consumption').

(5) For the purpose of equivalence with the ECA's scope of the EC funds with potential exposure to legality & regularity errors (*see the ECA's Annual Report methodological Annex 1.1*), our concept of "relevant expenditure" includes the payments made, subtracts the new pre-financing paid out, and adds the previous pre-financing actually cleared. This is a separate and 'hybrid' concept, intentionally combining elements from the budgetary accounting and from the general ledger accounting.

(6) In order to calculate the weighted Average Error Rate (AER) for the total relevant expenditure in the reporting year, the residual error rates have been used.

(8) Based on the 7 years Historic Average of Recoveries and financial Corrections (ARC), which is the best available and most conservative indication of the corrective capacity of the ex-post control systems implemented by the DG over the past years.

(10) For some programmes with no set *closure* point (e.g. EAGF) and for some multiannual programmes for which corrections are still possible afterwards (e.g. EAFRD and ESIF), all corrections that remain possible are considered for this estimate.

Table 1. - Estimated risk at closure

REFORM (1)	"Payments made" (FY; m€) (2)	<i>minus</i> new prefinancing (m€) (3)	<i>plus</i> cleared prefinancing (4)	relevant expenditure (for the FY; m€) (5)	Average Error Rate (<i>weighted</i> AER ; %) (6)	Estimated overall amount at risk at payment (FY; m€) (7)	Adjusted Average Recoveries and Corrections - ARC; % (8)	Estimated future corrections (9)	Estimated overall amount at risk at closure (m€) (10)
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5= 2-3+4</i>	<i>6</i>	<i>7=5*6</i>	<i>8</i>	<i>9=5*8</i>	<i>10=7-9</i>
TECHNICAL SUPPORT	65.456.431,20	42.578.118,44	13.170.797,39	36.049.110,15					
Procurement	17.333.504,10	37.500,00	2.365,00	17.298.369,10	0,50%	86.491,85	0,376%	65.117,01	21.374,83
Grant PA	19.368.844,99	16.391.917,59	10.040.384,08	13.017.311,48	0,50%	65.086,56	0,376%	49.001,64	16.084,92
Grant non PA	6.235.742,04	5.324.333,16	2.787.503,56	3.698.912,44	3,66%	135,380.20	0,376%	13.923,98	121.456,22
Administrative Arrangement	1.190.386,31	56.000,00	-	1.134.386,31	0,50%	5.671,93	0,376%	4.270,22	1.401,71
Support expenditure	559.586,07	-		559.586,07	0,50%	2.797,93	0,376%	2.106,47	691,46
Indirect Management	20.768.367,69	20.768.367,69	340.544,75	340.544,75	0,50%	1.702,72	0,376%	1.281,93	420,80
AID PROGRAMME	41.237.539,45	29.909.587,46	17.842.606,42	29.170.558,41					
Procurement	13.475.367,58	2.395.539,92	1.138.346,74	12.218.174,40	1,99%	243.141,67	0,376%	45.993,41	197.148,26
Grants PA	1.500.000,00	1.500.000,00	1.243.480,35	1.243.480,35	0,50%	6.217,40	0,376%	4.680,89	1.536,51
Grant non PA	5.047.395,51	4.850.781,18	1.148.020,82	1.344.635,15	0,50%	6.723,18	0,376%	5.061,67	1.661,51
Indirect management	21.135.136,36	21.135.136,36	14.312.758,51	14.312.758,51	0,50%	71.563,79	0,376%	53.878,15	17.685,65
Support expenditure	79.640,00	28.130,00		51.510,00	0,50%	257,55	0,376%	193,90	63,65
Administrative expenses	3.556,82			3.556,82	0,50%	17,78	0,376%	13,39	4,40
Overall, total	106.697.527,47	72.487.705,90	31.013.403,81	65.223.225,38	0,9583282%	625.052,56	0,376%	245.522,66	379.529,90

B. Fraud prevention, detection and correction

DG REFORM implemented its annual anti-fraud measures based on the SRSS anti-fraud strategy (AFS) 2017-2019 action plan and carried out a specific fraud risk assessment to identify the main potential fraud risks for the DG to be ready to develop an action plan in the context of the future strategy. The new AFS will be completed in 2021 in the light of the re-organisation of the DG in 2021 and the entry into force of the Technical Support Instrument.

DG REFORM also contributed to the Commission anti-fraud strategy's action plan⁴⁵, by providing – upon Member States' demand- technical support to improve, for instance, the functioning of the national services responsible for the anti-fraud coordination, or the national supervision measures for identifying and mitigating fraud risks in key policy areas.

In 2020 DG REFORM did not have to follow up on any OLAF financial recommendations.

The results achieved during the year thanks to the anti-fraud measures - related to the implementation of the AFS in place - can be summarised as follows:


- internal control reviews of: the staff 'Ethics and Integrity' training attendance; declarations on potential conflicts of interests; recurrent contractors under middle and low value contracts;
- annual assessments of: the potential fraud risks as part of the annual risk assessment exercise; sensitive functions in the Service; the results of the ex-post (desk reviews and external audit reports) control activities;
- regular reminders to newcomers on the Commission's rules and standards on ethics and integrity, and red flags of fraud and irregularities, particularly in the light of the COVID pandemic circumstances;
- regular updates of an online repository of information dedicated to preventing fraud and open to all staff;
- timely and effective in-depth analysis/follow up with other Commission's departments/contractors in the context of 'early detections and exclusion cases' (art.136 of the Financial Regulation) and potential instances of fraud.

On the basis of the available information, DG REFORM has reasonable assurance that the anti-fraud measures in place are effective overall. However, DG REFORM expects to adopt in 2021 a new AFS to maintain high its level of fraud awareness, and to ensure that the risks linked to its new re-organised environment, new tasks and operations, including those with possible impact on the reputation of the DG, are adequately mitigated.

⁴⁵ SWD (2019) 171, 29.4. 2019 including an action on the 'Training, awareness-raising and technical assistance' to Member States through various spending programmes. The Commission services are expected to offer technical support, and increase their efforts, together with OLAF, with a view to preventing and detecting possible fraud and corruption cases and to providing better cooperation and communication with Member States on fight against fraud.

2. Control efficiency

The tables below presents the most relevant indicators on the efficiency of controls and their values in 2020. Annex 4 includes additional efficiency indicators of controls, all showing positive results (scores between 98% and 100%).

Indicator	Timely Payments (i.e. payment accepted amount in time (EUR))/payment accepted amount (EUR))
Category	Efficiency of Controls /Timeliness
Objective	Ensure efficient processing of payments within the legal deadlines
Result	DG REFORM achieved 98% compared to the EC result of 99% 
Comment	The score of 98% of timely payments is equal to last year. Such a result is considered still optimal, considering the high percentage reached and as compared to the overall Commission performance in the last two years (98% in 2019 and 99% in 2020)

The results below also show a very good performance and a progressive maturity of DG REFORM processes, as compared to the last two years.

Other most relevant 'Efficiency' indicators	Values in 2020
Average time taken to <u>inform</u> beneficiaries on grant award decisions (Art 194.2(a) FR),	176 days (174 in 2019 and 349 days in 2018)
Average time taken to <u>sign</u> grant agreements (Art 194.2(b) FR), referring to grants under the Aid Programme	55 days (58 days in 2019;105 days in 2018)
% of payments processed within the time limit (Financial Regulation Art. 116.1)	95.8% (91.4% in 2019; 95.2% in 2018)
Average number of days taken to make a payment	29 (30 days in 2019; 27 days in 2018)
Value of interest paid on late payments	EUR 548,91(EUR 1021.79 in 2019; EUR 3000 in 2018)

It is also noted that the COVID-19 pandemic has not particularly affected the efficiency of the DG, mainly for its increasing reliance on alternative digitalised processes already developed for business continuity, efficiency and environmental gains (cf. below).

Further to the **implementation of the projects under the SRSP**, DG REFORM continued to provide technical support rapidly to Member States by implementing a framework contract with re-opening of competition. The authorising officer by sub-delegations decentralised in the operational Units has also contributed i) to manage faster the high number and diverse type of operations and ii) implement a high percentage of the annual budget.

Furthermore, the DG continued to implement paperless signatories for all financial transactions, and, as a response to the circumstances imposed by COVID-19 pandemic, enforced **new electronic features**, such as the Qualified Electronic Signature (QES) of

contracts or grant/contribution agreements, replacing the *blue-ink* signature. In order to ensure smooth business continuity DG REFORM developed guidance on flexibility arrangements for the acceptance of invoices and for opening and evaluating tenders and grant proposals.

In order to streamline further such processes, in 2020 DG REFORM implemented the planned initiatives⁴⁶ of efficiency in the area of digital environment applied to **electronic tendering and grant management**. Further to e-procurement, DG REFORM piloted the use of templates related to implementing a previous framework contract concluded under the Structural Reform Support Programme to test the electronic use of requests for services and specific contracts, as well as two direct grants⁴⁷ and one restricted procedure for a service contract⁴⁸ processed respectively in the e-Grants and e-Tendering systems. At present, DG REFORM is making preparatory arrangements to start launching systematic requests for services under its framework contract for Technical Support in eProcurement. The electronic tendering and submission of proposals allow for a high degree of automation and streamlining workflows and communication within the procurement/grant procedures. The benefits of such developments are that users are guided automatically through the processes; the exchanged documents are automatically signed electronically and archived in the Commission's document management system, as well as synchronisation is ensured with the Commission's accounting system.

Having regard to the completeness and reliability of the factual information and to the initiatives on efficiency implemented in 2020 as described above, the DG concludes positively overall with respect to the efficiency of its controls.

3. Economy: the estimated cost of controls

DG REFORM conforms with Art. 74.9 of the Financial Regulation by quantifying and assessing the resources and the input required for carrying out its controls.

In accordance with the corporate methodology applied since 2018, DG REFORM has made estimates of the annual costs of controls for all its relevant control systems, distinguished by ex-ante and ex-post controls (cf. annex 7.4).

DG REFORM **overall cost of controls** is estimated to be around EUR 4.8 million, which is 4.5% of the payments executed in 2020. Compared to last year, the estimated costs of controls over the total annual payments has progressively decreased compared to the last two years (6.7% in 2018 and 4.8% in 2019) considering the progressive increased value of the total payments made in 2020 (i.e. EUR 106.7 million in 2020; EUR 83.2 million in 2019 and EUR 54.8 million in 2018).

The overall estimated costs of controls performed on indirect management operations refer to the **remuneration fees⁴⁹ in 2020** paid to the entrusted entities as part of the Technical Support and the Aid Programme contribution/delegation agreements. In 2020, such fees

⁴⁶ Cf. page 17 of DG REFORM Management Plan 2020.

⁴⁷ Referring to the Technical Support.

⁴⁸ Referring to the Aid Programme.

⁴⁹ These fees cover broader elements than only controls in the strict sense.

amount to about EUR 2.2 million, which is 5.2% of the payments made under indirect management. The percentage of this cost of controls remains in the range of last year (5.7%) with a slight decrease.

DG REFORM reaches a positive conclusion as to the proportionality and economy of its controls considering the mitigation of risks under the relevant operations, the frequency and depth of the checks performed under the control strategy and the level of funds managed in 2020. The efficiency of DG REFORM controls is demonstrated particularly by:

- the high gains in terms of better value for money, deterrence of error/irregularity or fraud, and regulatory compliance;
- the investments on IT tools, including for e-procurement and grant systems, which will be amortised overtime;
- the lower costs of the ex-post checks on procurement (compared to the value of procurement procedures reviewed), and of the costs of external audits which have allowed DG REFORM to identify areas for improvement and future financial recoveries where errors have been found.

4. Conclusion on the cost-effectiveness of controls

Based on the most relevant key indicators and control results, DG REFORM 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.

Overall, DG REFORM controls of budget appropriations in 2020 remains cost-effective, considering:

- the overall cost of controls reviewed in 2020, whose ratio to the payments made has decreased since last year;
- the number and the complexity of technical support/assistance activities and those carried out under the Aid Programme (cf. part 1);
- the type of controls over the high diversity of operations/files managed;
- that controls on procurement and grant management are mandatory and a significant proportion of the appropriations concerned would be at risk if they were not in place;
- the cost-effective functioning of the ex-ante and ex-post controls and the generated financial benefits (e.g. detected errors for recoveries, rejected amounts claimed; credit notes issued; prevented costs of legal proceedings) and non-financial benefits, including better value for money, deterrence, mitigation of reputational risks, efficiency gains (stemming for instance from the e-procedures initiatives and the decentralisations of authorised operations) and regulatory compliance;
- the very low value of late interest payments, the percentage of timely payments and the progressive decreasing time taken to make payments;
- the very good rate of implementation of the operational budget;
- the lack of fraud cases and the positive audit results not resulting in any financial loss or reputational damage;

- the error rates detected and referring only to a limited area of grant direct management (non-pillar-assessed grant agreements) (cf. 2.1.4); and the continued corrective actions commenced since 2018;
- the positive management declarations from the entrusted entities on the use of the received funds and the activities carried out.

2.1.2 Audit observations and recommendations

This section sets out the observations, opinions and conclusions reported by auditors – including the limited conclusion of the Internal Auditor on the state of internal control. Summaries of the management measures taken in response to the audit recommendations are also included, together with an assessment of the likely material impact of the findings on the achievement of the internal control objectives, and therefore on management's assurance.

In 2020, the **European Court of Auditors (ECA)** sampled two separate transactions (a global commitment and an invoice) for substantive testing within the SoA⁵⁰ exercises for 2019 and 2020.

The ECA closed with no findings the review of the first transaction and concluded on the second transaction that it was affected by a non-quantifiable error (i.e. error of incomplete booking of the expense in the accounting system), although **with no error or impact on the final payment made** (cf. annex 7- List of ECA and IAS audits in 2020).

In 2020, the ECA and Internal Audit Service (IAS) concluded their respective audits on DG REFORM processes (cf. part 1 under specific objectives 1.1 and 1.3) with limited number of recommendations, i.e. 'important' recommendations⁵¹ (cf. annex 7.5). DG REFORM had no pending audit recommendations still to implement in 2020.

Based on all work undertaken by the IAS in the period 2018-2020⁵², namely, the Audit on the processes for coordinating technical support to the Member States in DG REFORM (including the contribution of DGs REGIO and EMPL to the coordination mechanism) and taking into account that:

- Management has accepted all the recommendations issued in 2018-2020;
- Management has adopted an action plan to implement all the accepted recommendations. The IAS considers that this action plan is adequate to address the residual risks identified by the auditors;
- The implementation of this action plan is monitored through reports by management and follow-up audits by the IAS;

the IAS concludes⁵³ that the internal control systems in place for the audited processes are effective.

⁵⁰ Statement of Assurance (SoA) for the MFF heading 'Global Europe' within the exercise of Reliability of the Annual Accounts of the European Union.

⁵¹ As compared to 'very important' and 'critical' recommendations.

⁵² Final audit reports issued in the period 1 February 2018 – 31 January 2021.

⁵³ IAS limited conclusion as a contribution to the 2020 AAR -12 February 2021.

2.1.3 Assessment of the effectiveness of internal control systems

The Commission has adopted an Internal Control (IC) Framework⁵⁴ 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.

DG REFORM 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.

In 2020, DG REFORM continued to increase the level of awareness of the Internal Control Framework by updating its procedures and workflows (e.g. 'exceptions and non-compliance reporting', 'financial circuits', 'financial templates'), and informing staff on DG REFORM internal control framework and dedicated topics (e.g. 'red flags' in the area of anti-fraud; 'ethics and integrity' standards; etc.). Furthermore, considering the organisational changes occurred in 2020, DG REFORM has ensured appropriate appointment of a new Director responsible for risk management and internal control and a systematic support to such a function in the areas under her responsibility. A dedicated information system (ICMT-Internal Control Monitoring Tool) has also been regularly maintained to capture evidence of the existence and functioning of controls.

Business owners, as the first control line of defence for the organisation, ensure functioning and supervision of the internal control systems applicable to their operations. On such a basis, they determine whether such controls work as intended or if there are control weaknesses in the system that need to be reported for improvement. In addition, management monitors on an ongoing basis whether the internal control systems and their components are present and functioning. The 2020 overall assessment of the internal control system also included the following main assessments exercises performed on:

- the control actions carried out by the DG in 2020 in respect of the IC principles and results of the internal-control monitoring criteria established in the context of the Management Plan 2020. These results stem from the internal-control regular checks, annual reviews and surveys, including the deficiencies or serious matters communicated to management for timely correction;
- the non-compliance events reported and exceptions requested during the year;
- the audit recommendations (cf. part 1 and section 2.1.2);
- the state of implementation of the mitigating actions to address the reservation made on grant direct management (under ESIF and SRSP funds) in the Annual Activity Report 2019 (cf. annex 7.3); and
- the state of implementation of the remedial actions to address the weaknesses in public procurement identified by the ex-post control since 2019.

⁵⁴ Communication to the Commission from Commissioner Oettinger: Revision of the Internal Control Framework (C(2017)2373).

Based on the assessment of the above-mentioned results, DG REFORM has assessed⁵⁵ its internal control system during the reporting year and has concluded that it is effective and the components and principles are present and functioning well overall. Nonetheless, some improvements are needed, since minor deficiencies were identified in the following areas: staff's objectives setting; documentation of handovers; DG's strategies/plans setting or update; timely completion of evaluations; pending publication of data protection records and relates use of privacy statements; pending implementation of a few recommendations made under the ex-post checks performed in 2019 under the Aid Programme procurement procedures (cf. conservative estimate of error rate under procurement), and the increased number of errors in the main IT tool used by the DG.

The impact of the deficiencies identified is considered as 'minor' because they are compensated (i.e. control indicators targets achieved or even surpassed) by other control results under the relevant principles, as well as remedial measures are ongoing (cf. Annex 8). Considering this, the residual risk related to the above-mentioned deficiencies does not affect the achievement of the internal control objectives, and therefore the assurance provided in this AAR.

2.1.4 Conclusions on the assurance

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

The information reported in section 2.1 stems from the results of management - and auditors - 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 REFORM.

Legality and Regularity

DG REFORM concludes positively on the effectiveness of its control results regarding the legality and regularity of its operations in 2020. However, having regard to:

- the material error rate resulting from the external audits and referring to a limited area of non-pillar-assessed grants under the funds of Technical Support (SRSP and ESIF). The error rate in this specific area is persistent and related to a key modality of the programme (notably the grant reimbursement mechanism based on eligible actual costs and the related risk of errors in cost reimbursement claims submitted by the beneficiaries);
- the reservation that the SRSS made in the Annual Activity Report 2019, referring also to grant management (under the funds of Technical Support), and the corrective actions taken in 2020 (cf. grant direct management and annex 7.3);

⁵⁵ Methodology established in the "Implementation Guide of the Internal Control Framework of the Commission" for carrying out the internal control assessment process

- the existing ex-ante controls consisting in the instructions to beneficiaries to submit claims based on the actual costs, and the corrective capacity of the ex-post controls, i.e. the external audits carried out in 2020 and the planned audits in 2021 of cost claims under grants agreements signed with (non-)pillar-assessed beneficiaries and paid in 2020;
- the ongoing progressive reduction of the payments made under grants agreements with non-pillar assessed organisations over the years (e.g. EUR 7.6 million in 2019 and EUR 6.2 million in 2020);

DG REFORM concludes conservatively on the need to maintain the 2020 reservation on direct grant management referring to the Technical Support funds (ESIF and SRSP). This is still limited in scope to reflect that the error rate is targeted only to the limited areas of non-pillar-assessed grants whose payments account (in monetary terms) only for 24% of all the payments made under the TS grant direct management. (cf. Table amount at risk).

The ‘de-minimis rule’⁵⁶ cannot be applied because, while the exposure of the amounts at risk under the relevant expenditure⁵⁷ is well below EUR 5 million (i.e. EUR 121,456.22), the value of the payments (EUR 6.2 million) made under direct grant management to non-pillar-assessed organisations under Technical Support funds is higher (i.e. 5.8%) than 5% of the payments made in 2020.

Sound financial management

Considering the ex-ante and ex-post controls in place, the key indicators and the 2020 control results on effectiveness, efficiency and economy, plus the initiatives to further improve the efficiency of processes, DG REFORM can conclude positively on the cost-effectiveness of its controls and overall on the achievement of the objective on sound financial management. (Cf. 2.1.1).

Fraud prevention, detection and correction

No instances of fraud were investigated in 2020. Adequate controls, including timely communication with OLAF on fraud matters, were implemented to prevent, detect and correct suspicious instances of fraud and irregularities. The DG’s activities and communication on the EC policy and procedures on reporting and countering fraud contribute to maintain high the awareness among staff about the DG’s ‘zero tolerance to fraud’ (Cf. 2.1.1).

Audit results

In 2020, DG REFORM did not receive any ‘critical’ or ‘very important’ recommendations from the ECA and the IAS. Moreover, DG REFORM has no pending recommendation overdue for implementation. The IAS concluded that the internal control systems in place for the audited processes are effective (Cf.2.1.2).

⁵⁶ The ‘de minimis rule’ introduced in the 2019 AAR instructions provides that: quantified reservations related to residual error rates above the 2% materiality threshold are deemed **not substantial** if they are related to segments representing, in €, **less than 5%** of a DG’s portfolio **and** if their financial impact is **lower than EUR 5 million**. In such cases, reservations are no longer to be reported.

⁵⁷ Payments made for Technical Support under the non-pillar assessed grants, minus pre-financing, plus clearings.

Effectiveness of the Internal control systems

Finally, DG REFORM has assessed its internal control system during the reporting year and has concluded that it is effective and that the components and principles are present and functioning as intended, with some improvements needed. The deficiencies identified do not lead to assurance-related concerns, because some of the expected improvements have already started in 2020 and are ongoing (Cf.2.1.3).

Overall Conclusion

In conclusion, management has reasonable assurance that, overall, suitable controls are in place and working as intended; risks are being appropriately monitored and mitigated; and necessary improvements and reinforcements are being implemented. The Director General, in his capacity as Authorising Officer by Delegation has signed the Declaration of Assurance albeit qualified by a reservation concerning grant direct management agreements (Technical Support) signed with non-pillar-assessed beneficiaries.

2.1.5 Declaration of Assurance and reservation

I, the undersigned,

Director-General of DG REFORM

In my capacity as authorising officer by delegation

Declare that the information contained in this report gives a true and fair view⁵⁸.

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

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

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

However, a reservation on direct grant management signed with non-pillar assessed organisations should be noted under the Technical Support funds.

Brussels, 31 March 2021

Mario NAVA

⁵⁸True and fair in this context means a reliable, complete and correct view on the state of affairs in the DG.

Reservation 1

DG	REFORM
Title of the reservation, including its scope	Reservation concerning the rate of residual error under direct management-grant agreements signed with non-pillar assessed (NPA) beneficiaries under technical Support funds (ESIF and SRSP).
Domain	Direct management – grants with non-pillar assessed beneficiaries
Programme in which the reservation is made and total annual amount of this programme	Budget lines: 04.026301 and 04.026302: ESF; 13.036502: ERDF; 13.046102: Cohesion Fund; 13.080100 and 13.080200: SRSP The corresponding total amount of payments made in 2020 is EUR 64.86 million (operational expenditure as in Annex 3). The total amount of payments made in 2020 affected by the reservation is EUR 6.2 million (grants to NPA under Technical Support).
Reason for the reservation	The residual error rate above 2%. The RER (2.54%) was calculated on the basis of the multi-annual results (audits 2018 and 2019 and 2020).
Materiality criterion	The legality and regularity-related criterion of 2% was not met. In addition, one of the two conditions (i.e. value of the segmented payments under reservation/total payments made in 2020 to be < 5% of total 2020 payments) under the 'de minimis rule' is not met. Nevertheless, the financial impact of the relevant expenditure is below EUR 5 million.
Quantification of the impact (= actual "exposure")	The maximum impact is calculated by multiplying the detected error rate (3.66%) by the relevant expenditure in 2020 (payment minus pre-financing, plus clearings) under Technical Support (non-pillar assessed grants), i.e. EUR 3,698,912.44. This yields EUR 135,380.20 (amount at risk at payment) and EUR 121,456.22 (amount at risk at closure) as the maximum potential impact on payments for NPA grants under Technical Support during 2020.
Impact on the assurance	The legality and regularity of financial transactions at stake. Nevertheless, considering the limited amount at risk at closure (EUR 121,456.22), the assurance is still possible provided this conservative reservation is made.
Responsibility for the weakness	The responsibility of errors sits both on the DG REFORM (for executing the payments) and the grant beneficiaries (for having claimed the wrong amounts).
Responsibility for the corrective action	DG REFORM will implement the following remedial actions in 2021: <ul style="list-style-type: none"> ✓ set out an audit plan for 2021, which will ensure maximum coverage of grants to non-pillar-assessed organisations closed in 2020 in order to maximise the corrective capacity. ✓ continue the practice of instructing beneficiaries on the eligible actions for final cost claim. DG REFORM has established the practice under the e-grant mechanism, to reduce the thresholds (previously > EUR 325,000 for grants under the Technical Support) for audit certificates respectively to EUR 100,000 and EUR 60,000 for grants concluded under SRSP and TSI. This should reduce the likelihood of errors in the claimed amounts; ✓ continue the ex-ante desk reviews on sampled grants to NPA organisations; ✓ continue to enforce appropriate financial training for operational initiating agents and financial agents to prevent/detect errors.

2.2 Modern and efficient administration – other aspects

2.2.1 Human resource management

DG REFORM was created on 1 January 2020, taking over the mandate previously carried out by the Structural Reform Support Service (SRSS). With the arrival of the new Director General in June, and following an internal assessment, including a consultation of staff members, DG REFORM re-organised its structure. The main objective of such re-organisation was to make the main preparatory arrangements for ensuring a coordinated implementation of the new TSI and to reflect the DG's new role and tasks related to the support for the preparation and implementation of the RRFs within the RRF.

In 2020, DG REFORM focused its activities on delivering a modern and efficient human resources strategy, which is being developed in alignment with the corporate one. As a new and relatively small Directorate-General, DG REFORM attaches great value to staff engagement and consultation. In fact, staff members have provided substantial input to the new local HR Strategy. The local HR strategy is scheduled for adoption in the second quarter of 2021.

Due to the remote-working conditions imposed by the COVID-19 pandemic, only one traditional induction session for newcomers could be organised. Nonetheless, DG REFORM has ensured that newcomers received useful links and documents before their arrival in the DG. The HR BC has also ensured personal contacts with newcomers, before their arrival, in order to welcome and integrate them as effectively as possible.

With the savings made in the number of travels for missions, in 2020 DG REFORM was able to fund external online training courses for a number of staff.

In the field of equal opportunities, DG REFORM continued to pursue its efforts to contribute to the Commission-wide targets for the recruitment of women in middle management positions. A female director chairs an in-house Female Talent Development Network, which includes 12 participants and provides individual and group coaching.

2.2.2 Digital transformation and information management

In 2020 DG REFORM has continued to invest in the improvement of its **information systems** such as JIRA (database covering the operational implementation of the Technical Support to Member States and the Aid Programme) and QlikSense (real-time reports and dashboards) which support its main business processes. These improvements are needed to ensure easier and consistent update, monitoring and reporting of operations across the DG.

Staff reinforcements were ensured in the third quarter of the year to make further updates in the IT tools (JIRA and QlikSense) used locally. Quality checks and training activities were promoted together with the operational units to maintain the systems and reduce to the minimum the number of encoding errors.

In the area of **data protection**, in 2020 DG REFORM continued to implement awareness raising activities about data protection implementing rules⁵⁹ among its staff in order to achieve the targets set in the Commission's Data Protection Action Plan for 2024. In the first half of 2020, the target of nine trainings per year was largely achieved, with eight training sessions delivered in person in January and February 2020.

In the second half of the year, the DG's specific data records were finalised, together with their corresponding privacy statements; the privacy statements for the corporate decentralised records were also adapted to the DG needs. These compliance documents will be available to all colleagues and become an integral part of future trainings.

The current data protection legislation allows international transfers of personal data in principle if the EU standards for the protection of the rights and freedoms of the data subject are guaranteed also after the transfer. Moreover, the invalidation of the EU-U.S. Privacy Shield (the Schrems II judgement) poses concrete challenges for services transferring personal data to third countries or using international cloud services. DG REFORM will continue to assess its processing activities in light of the requirements of the Schrems II ruling and will coordinate with relevant Commission services and IT governance bodies, as well as the Data Protection Officer, to be able to draw from horizontal approaches to similar situations. The Commission services, coordinated by the Data Protection Officer, replied to a request from the European Data Protection Supervisor (EDPS) to all EU institutions to identify and map their international transfers and to report certain categories of transfers and are awaiting the EDPS' reaction. The goal is to minimise the risks linked to ongoing and future international transfers of personal data, notably by informing all data subjects of the legal situation in which such transfers take place, in order for operations undertaken by the Commission services to comply with EU data protection law.

The "teleworking by default" imposed by the COVID-19 pandemic impacted the approach to trainings; some of these had to be adapted or postponed. Nonetheless, a good number of Knowledge Hours were organised to continue to contribute to staff engagement and knowledge management. In the area of information management, DG REFORM has continued to ensure appropriate document management reaching a minimal percentage of unfiled documents.

2.2.3 Sound environmental management

DG REFORM has contributed to the Commission's commitment to sound environmental management as an institution and employer by **raising staff awareness** about this priority. As part of a 'green blog' was created to share information on eco-friendly initiatives and articles of general interest, DG REFORM promoted the 2020 corporate

⁵⁹ Commission Decision (EU) 2020/969 of 3 July 2020 laying down implementing rules concerning the Data Protection Officer, restrictions of data subjects' rights and the application of Regulation (EU) 2018/1725 of the European Parliament and of the Council, and repealing Commission Decision 2008/597/EC.

activities by publishing posts on EMAS related topics. No specific local actions were developed in 2020.

In line with the Commission action plan to implement the objective of the Green Deal, in 2020 DG REFORM has also maintained a high percentage (95%) of registered documents approved in full electronic mode (without the circulation of paper signatories)

The results of the output indicators related to this section are available under annex 9.