



# **2017**

# **Annual Activity Report**

**Internal Audit Service**

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# THE INTERNAL AUDIT SERVICE IN BRIEF

**Our mission:** The mission of the Internal Audit Service (IAS) is to provide to the European Commission and its executive agencies, and the EU agencies and other autonomous bodies receiving contributions from the EU budget, risk-based and objective assurance, advice and insight, designed to protect and enhance organisational values.

**The added-value of audit work:** Through its audit work, the IAS and its corps of professional internal auditors contribute to the effective implementation of policies, programmes and actions, to the efficient and economical management of resources, and to the compliance with the legal framework by the audited entities. They contribute to the identification of critical risks that may adversely affect the achievement of the audited entities' objectives and to the definition of mitigating actions. They also contribute to the promotion of a performance culture (economy, efficiency and effectiveness) with a view to bringing about continuous improvement. In this way, they contribute to providing value for money for European citizens and also help the European Commission in its objective to protect the EU Budget from irregular expenditure and thus to increase public confidence in the European Union.



**Quality Standards:** The IAS carries out its mission in accordance with the Financial Regulation (FR<sup>1</sup> and RAP<sup>2</sup>) and with the IIA Standards (i.e. the International Standards for the Professional Practice of Internal Auditing<sup>3</sup> and the Code of Ethics of the Institute of Internal Auditors). It underwent an external quality assessment in 2016 which concluded that the IAS generally conforms with these Standards, that it operates efficiently and effectively, and adds value to the overall Risk Management and Internal Control Framework of the European Commission, Executive and EU agencies and other autonomous bodies.

**Independence of the IAS:** The independence of the Internal Auditor is defined in Article 100 of the Financial Regulation and the Mission Charters of the IAS<sup>4</sup> and, regarding the work in the European Commission, guaranteed by the Audit Progress Committee (APC).

In the Commission, according to its Charter<sup>5</sup>, the IAS falls under the authority of the First Vice-President of the European Commission, Frans Timmermans. The IAS reports and is functionally accountable to the APC as regards its audit activities.

Similarly, for its work in EU agencies and other autonomous bodies, the IAS reports functionally to the Management Board and the Directors of each respective entity. Its work is coordinated with the European Court of Auditors (ECA), the Commission's

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1 Articles 98-100 of the Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002 (OJ L 298, 26.10.2012).

2 Articles 114-120 of the Commission Delegated Regulation (EU) No 1268/2012 of 29 October 2012 on the rules of application of Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council on the financial rules applicable to the general budget of the Union (OJ L 362, 31.12.2012).

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

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

5 Communication to the Commission, C(2017) 4435 final of 30 June 2017, "Mission Charter of the Internal Audit Service of the European Commission", section 2 "Accountability".

external auditor, and, where applicable, with the Internal Audit Capabilities (IACs) of the EU Agencies and other autonomous bodies.

**Planning:** The IAS has a well-defined and structured audit process, including a detailed audit risk assessment, to develop its strategic audit plans, which set out the audit engagements to be carried out each year over a period of three years (annual audit plans). The starting point for developing the strategic audit plans is to obtain a thorough understanding of the audited entities, their objectives and the key risks they face in achieving them. The annual audit plans are reviewed each year to reflect new and emerging risks faced by the Commission and EU Agencies and other autonomous bodies.

When significant risks to the audited entity are identified through the audit risk assessment, audit engagements are carried out. Where weaknesses are identified in the course of the audit, recommendations are issued. These recommendations aim at mitigating the related risks in a cost-effective manner, thereby adding value to the audited entity. The implementation of the accepted recommendations is verified through dedicated follow-up audits.

**Monitoring:** Performance indicators are used to monitor progress made in conducting the audit engagements. The internal audit process is fully supported by an audit management software. For the work in the Commission, the APC ensures oversight over the proper implementation of IAS recommendations by the audited services.

**Other IAS outputs:** In accordance with Article 99(3) of the FR, the IAS prepares an Annual Report on its audit and consulting work in Commission Directorates-General, Services and Executive Agencies<sup>6</sup>. This report is then summarised by the Secretariat-General in a Report in accordance with Article 99(5) of the FR. The "99(5) Report" lists the key audit findings and recommendations and the actions taken upon them. It is forwarded by the Commission to the European Parliament and the Council.

The IAS issues each year in May its "Overall opinion on financial management" in the Commission. The overall opinion considers whether the Commission has put in place governance, risk management and internal control procedures which, as a whole, are adequate to give reasonable assurance over the achievement of its financial objectives. It is based on the work done by the IAS in the area of financial management over a three year period and other sources of assurance. Both the 99(5) Report and the Overall Opinion of the IAS contribute to the preparation of the Commission's Annual Management and Performance Report for the EU budget (AMPR<sup>7</sup>). Through this document, the Commission reports on the implementation of the EU budget and the Commission's performance. By adopting the AMPR, the Commission takes overall political responsibility for the management of the EU budget.

In addition, as from 2016 (covering the year 2015), the IAS issues a conclusion on the state of internal control (limited type assurance<sup>8</sup>) to individual DGs/Services of the Commission and Executive Agencies as a contribution to the preparation of their Annual Activity Reports. The IAS verifies each year whether the DGs' Annual Activity Reports (AARs) adequately reflect the limited conclusion of the Internal Auditor and the level of

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6 The "99(5) Report" does not cover the EU autonomous bodies and the European External Action Service. Separate reports are addressed to some of these bodies.

7 The Commission's Annual Management and Performance Report for the EU budget (AMPR) combines the former Article 318 Evaluation Report required by the Treaty on the Functioning of the European Union (TFEU) and the former Synthesis Report summarising the Annual Activity Reports produced by the Commission services as required by the Financial Regulation and the former Communication on the protection of the EU budget.

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

implementation of the recommendations resulting from the IAS audits for the DG concerned.

At the request of its auditees, the IAS may accept to provide consulting services.

**Staff:** The IAS is a mature internal audit service committed to quality and excellence by building on its quality certification and a culture of career-long learning for its staff. The IAS has a dedicated training programme in place for its staff who are encouraged to obtain an audit certification. Through its annual audit conferences and other events, it is active in networking with peers and audit professionals in the public sector in Europe, and benefits from the expertise of highly-skilled professionals (including those from academia) to share thoughts and best practices with this community.

## EXECUTIVE SUMMARY

The Annual Activity Report (AAR) is a management report of the Director-General of DG IAS to the College of Commissioners. Annual Activity Reports are the main instrument of management accountability within the Commission and constitute the basis on which the College takes political responsibility for its decisions as well as for coordinating executive and management functions it exercises, as laid down in the Treaties<sup>9</sup>.

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

Through its audit work, the IAS contributes to the Commission's general objective of effectively and efficiently managing resources and promoting a performance culture (economy, efficiency and effectiveness) by providing re-assurance to the audited entities and the College of Commissioners.

The main operational challenge of the IAS is to complete all engagements included in its audit plans and make an effective use of its resources. The following key achievements highlight the performance of the IAS during 2017:

**Audit plan:** The IAS successfully completed all but one of the audit engagements planned in 2017. It continued to make an efficient use of its resources, with audit staff spending 85% of their time on direct audit and audit support work.

In this way, the IAS and its corps of more than 120 professional internal auditors (of which more than 70% are certified auditors) contributed to the effective implementation of policies, programmes and actions, to the efficient and economical management of resources and to compliance with the legal framework by the audited entities in the European Commission, Executive agencies, and the EU Agencies and other autonomous bodies.



**Other outputs:** Both the Annual Report of the Internal Auditor and the Overall opinion on financial management (applicable to the Commission only) were delivered on time and contributed to the preparation of the Commission's AMPR, which reports on the implementation of the EU budget and the Commission's performance and whereby the Commission takes overall political responsibility for the management of the EU budget. In addition, the IAS delivered a limited conclusion on the state of internal control in each Commission DG/Service as a contribution to the preparation of their 2016 AARs.

The IAS also met its reporting obligations to the Boards of the Agencies and other autonomous bodies to whom it reported on open critical and significantly delayed very important recommendations in the form of ad-hoc reports, where this was necessary.

<sup>9</sup> Article 17(1) of the Treaty on the European Union.

**Quality:** The IAS continues to be a mature internal audit service committed to quality and excellence. Following the external quality assessment in 2016<sup>10</sup>, the IAS underwent an internal quality assessment at the end of 2017/beginning of 2018 as required by international auditing standards, i.e. IIA Standard 1311. The internal assessment concluded that the IAS generally conforms to the Standards selected for the purpose of this exercise.



**Stakeholder feedback:** The work of the IAS is generally well perceived by its stakeholders. This was confirmed by the results of the 2017 stakeholder survey with satisfaction rates over 90% (exceeding the set targets), both for the level of audit coverage of the auditees' main risks and processes, and for the added value of IAS recommendations.

**Sharing experience:** The 2017 edition of the annual IAS conferences on "Innovation and creativity in internal audit – Myth or reality?" was held in Brussels on 5 October. The satisfaction rate of the participants was 98%. Around 500 participants benefited from the expertise of highly-skilled professionals (including those from academia) to share thoughts and best practices and the conference was considered by them as an excellent opportunity to network with peers and audit professionals.

**Staff:** The IAS successfully promotes a culture of career-long learning through its learning and development strategy, including the implementation of the dedicated internal audit training programme 2017 which helped to ensure a high professional standard amongst its staff.

In 2017, the IAS took the initiative to follow-up on specific issues identified in the 2016 staff satisfaction survey and implemented an action plan, involving management and staff to further improve areas such as work-life balance and careers.

In July 2017, quantitative targets of first female appointments to be made per Directorate-General and service at middle management level by 1 November 2019 were set in order to contribute to the corporate objective of 40% female representation in Middle Management. The revised quantitative target set for the IAS was to make one first female appointment by 1 November 2019, which the IAS has already reached with the appointment of a new female Head of Unit as of 1 October 2017. The percentage of female middle managers in the IAS now stands at 27%.

## **b) Key Performance Indicators (KPIs)**

Most targets set out in the IAS 2016-2020 Strategic Plan and 2017 Management Plan were reached or exceeded.

To ensure that its strategic audit plan delivers the desired results, the IAS uses a range of key performance indicators (KPIs) for the internal audit activity, which are inspired by


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<sup>10</sup> In 2016, the IAS underwent a full external quality assessment as required by international auditing standard 1312 of the Institute of Internal Auditors (IIA). Standard 1312 states that "External assessment must be conducted at least once every five years by a qualified, independent reviewer or review team from outside the organisation". The reviewer concluded that the IAS "Generally Conforms" (highest possible rating) to the international standards for the professional practice of internal auditing.

those proposed by the International Institute of Internal Auditors (IIA). Due to the nature of the internal audit activity, all indicators and targets are set on an annual basis. During the year, all KPIs<sup>11</sup> were closely monitored by the IAS. The results for 2017 are overall highly satisfactory.

The three KPIs that represent the most critical aspects of the performance of the IAS are as follows:

 Full **delivery of the annual audit plan** to ensure timely coverage of high risk areas. The 2017 audit plans of both the Commission and EU Autonomous Bodies were implemented in full, except for one management letter<sup>12</sup> (actual level: 98%).

 Timely delivery of (i) the **overall opinion on financial management** in the Commission as a contribution to the Commission's Annual Performance and Management Report and (ii) of the IAS **limited conclusions** to each DG/Service as a contribution to the preparation of their Annual Activity Reports. Both target deadlines were met.

 Compliance with internal methodology and guidance and international auditing standards to demonstrate that the work of the IAS is carried out to a high **standard**. According to the internal quality assessment conducted at the end of 2017, the IAS "Generally Conforms" to the International Standards for the Professional Practice of Internal Auditing", which is the highest possible rating.

A more detailed analysis of these and other KPIs, including a breakdown between Internal Audit of the Commission and of the EU Agencies and other autonomous bodies, is provided in section 1.

## c) Key conclusions on Financial management and Internal control

In accordance with the governance arrangements of the Commission, the FR and its Mission Charter, the (staff of the) IAS continued in 2017 to conduct its part of the 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.

**Administrative budget:** For a number of years now, 96% of the administrative budget of the IAS is directly delegated to PMO, DG DIGIT and DG HR with the remaining 4% co-delegated to DGs HR and DIGIT. A Service Level Agreement (SLA) has been signed with DG HR for the provision of support services to the IAS in the area of human resources and financial management. The co-delegation with DG DIGIT is supported by a Memorandum of Understanding (MoU). In both cases, the IAS remained responsible for the planning-related aspects. In 2017, the IAS executed (as every year) its own controls on its mission expenses and monitored the implementation of its Anti-Fraud Strategy. As

<sup>11</sup> The KPIs mirror those in the IAS 2016-2020 Strategic Plan

<sup>12</sup> All audit, consulting and follow-up engagements were completed. The issuance of the management letter summarising the results of various audits on Human Resources in the Commission was postponed to 2018 in order to take into account the prolongation of the pilot project (Account Management Centre and Business Correspondent organisation for HR services) conducted by DG HR and the results of other IAS audits on HR that are still in progress.

the IAS did not make payments in 2017 and DGs HR and DIGIT did not report any issues as regards legality and regularity of the transactions they processed on behalf of the IAS, the IAS can conclude that the applied controls are effective and efficient (see section 2.1.3. for further details).

**Internal controls:** In 2017 the Commission adopted a new Internal Control Framework consisting of a set of internal control principles and components, based on international good practice, aimed at ensuring the achievement of policy and operational objectives. The new principles replace the previous internal control standards, but are only applicable as from January 2018. The FR requires that the organisational structure and the internal control systems used for the implementation of the budget are set up in accordance with these principles. As part of the implementation of the new Internal Control Framework, the IAS defined its internal monitoring criteria for 2018 for each of the internal control components. These criteria will be monitored during 2018 and reported in the 2018 AAR. In the meantime, for the year 2017, the IAS's 2017 annual review of the implementation of the Internal Control Standards (ICS) was based on a self-assessment exercise which was integrated in the annual management risk assessment survey. Overall, the level of compliance and effectiveness of the implementation of the applicable ICS was assessed positively (see section 2.1.3 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 and the Director of IAS/A, in his capacity as Authorising Officer by Delegation<sup>13</sup>, have co-signed the Declaration of Assurance.

## **d) Provision of information to the First Vice-President**

In the context of the regular meetings during the year between the DG and the First Vice-President on management matters, the main elements of this report and assurance declaration have been brought to the attention of First Vice-President F. Timmermans, responsible for better regulation, inter-institutional relations, rule of law and charter of fundamental rights, and internal audit.

The IAS 2017 draft AAR was discussed by the Director General of the IAS and IAS Senior Management with the First Vice-President during a meeting on 26 March 2018.



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<sup>13</sup> According to Art.98(1) of the Financial Regulation, the Director-General of the IAS (the Commission's Internal Auditor) may not be the Authorising Officer by Delegation. This role is exercised by the Director of IAS/A.

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

## 1.1 Internal Auditing

Through its audit work, the IAS contributes to the Commission's general objectives. Its main operational challenge is to complete all engagements included in its audit plans and make an effective use of its resources.

### 1.1.1 Contribution to the general objective of the Commission

The IAS, as a horizontal service in the Commission contributes to the following general objective of the Commission:

**To help achieve the overall political objectives, the Commission will effectively and efficiently manage and safeguard assets and resources, and attract and develop the best talents.**

The IAS contributes to this general objective, in particular, to the protection and management of assets and resources by performing audits and consulting services in an effective and efficient manner and by providing re-assurance to the audited entities. It also contributes to the promotion of a performance culture (economy, efficiency and effectiveness) with a view to bringing about continuous improvement. The IAS supports the accountability process of the DGs' by providing each one of them with a limited conclusion on the state of internal control in their service which is one of the elements on which they can base their declaration of assurance in the AAR. The IAS verifies whether the DGs' AARs adequately reflect the limited conclusion of the Internal Auditor and the level of implementation of the recommendations resulting from the IAS audits for the DG concerned.

The IAS carries out its mission in accordance with the FR and with the International Standards for the Professional Practice of Internal Auditing<sup>14</sup> and the Code of Ethics of the Institute of Internal Auditors (IIA Standards). However, while the IAS can control the quality of its outputs (audit and consultancy reports), it cannot control the results and impact of its work. For this, the IAS depends on (a) the acceptance by the audited entity of its recommendations/issues for consideration and (b) on the timely implementation of the mitigation actions by the audited entity resulting from an audit or a consultancy engagement.

The Audit Progress Committee (APC) - to which the IAS reports its audit work in the Commission and the Executive Agencies - follows closely the acceptance and implementation of IAS's recommendations and takes action where necessary, which has a considerable persuasive effect on the audited entities concerned. In most EU Agencies and other autonomous bodies this role is assigned to the respective Management Board in which the Member States and the Commission are represented.

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<sup>14</sup> IIA Standard 2000: "The CAE must effectively manage the IA activity to ensure its added value to the organisation."

In line with the other Commission services, the IAS monitors two corporate KPIs: (i) the staff engagement index and (ii) the level of trust of the EU citizens in the Commission. While the first indicator is strongly connected to the performance of the IAS, the second one is mostly linked to the performance of the institution as a whole and to the public perception of the institution.

Nevertheless, the IAS aims at annually increasing its score/rating for both indicators.

- Staff engagement index (source of the data: European Commission): the IAS scores 68%<sup>15</sup>, higher than the Commission average of 64.3%
- Trust in the European Commission: the results of the 2017 (Spring) Standard Eurobarometer on Public Opinion in the European Union show that 41%<sup>16</sup> of citizens "tend to trust in the European Commission", which is above the Commission's baseline of 40% (according to the Spring 2015 Eurobarometer). As the IAS endeavours to contribute to providing value for money for European citizens and also helps the Commission in its objective to protect the EU Budget from irregular expenditure, it also contributes to increase public confidence in the European Union.

The Commission's general objective can be broken down into three specific IAS operational objectives<sup>17</sup> as described below.

### **1.1.2 To ensure that the work of the IAS adds value**

**Specific objective 1.1: To ensure that the work of the IAS adds value to the Commission services and the EU Agencies and other autonomous bodies and contributes to the improvement of their operations (external dimension).**

Although the Internal Auditor is independent in the elaboration and adoption of his audit plan, his objective is to have a positive impact on the performance of the audited services. Thus it is important that the audited services, as well as the supervisory level (the APC or the Management Boards concerned), consider that the IAS implements an audit plan that is risk-based and consistent with the organisation's goals, and that satisfactory coverage of the audit universe over a multi-annual period is ensured.

#### **Stakeholder satisfaction survey**

The internal audit activity aims at adding value to its stakeholders by auditing processes which are high risk. The added value of the reports of the IAS lies in the re-assurance it provides to the auditees, the APC and the Boards that internal control systems are effective or, in case weaknesses are detected, in the provision of recommendations which support the auditee in improving its internal controls. In addition, performance audits are geared towards the identification of possibilities to improve the auditees' systems and procedures which lead to the achievement of their objectives in an economic, efficient and effective way.

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<sup>15</sup> Latest known figure (based on the 2016 Commission staff survey).

<sup>16</sup> Standard Eurobarometer on Public Opinion in the European Union Spring 2017.

<sup>17</sup> The 2015 Management Plan was structured in accordance with the ABB-activity structure of the IAS in 2014. The introduction of these three specific objectives resulted from the preparation of the 2016-20 Strategic Plan and the 2016 Management Plan.

With its 123 internal auditors, the IAS covers the activities and processes of 50 Commission Directorates General and services as well as 42 agencies and other autonomous bodies, spread over Europe.

Commission Headquarters

HEADQUARTERS OF DECENTRALISED AGENCIES



In order to capture the perception of the quality of its work, the IAS periodically conducts surveys on whether its audits and recommendations satisfactorily covered the risks and processes in the audit universe, added value to the auditees' operations and contributed towards effective risk management. The two main sources are (a) an annual stakeholder survey addressed to all auditees and (b) a satisfaction survey addressed to the audited services<sup>18</sup> after each engagement. In order to complement the information from the auditees, similar questions are addressed in the annual stakeholder satisfaction survey to the Audit Progress Committee (APC) concerning the Commission audits and the responsible Management Boards for the EU Agencies and other autonomous bodies' audits.

- The annual stakeholder survey provides an indication of how the IAS and its work are perceived by all its key stakeholders (Directors-General, Directors of decentralised EU Agencies and other autonomous bodies, APC and Boards). In line with previous years, the results for 2017 are in general positive with satisfaction rates exceeding the set targets. The target of at least 90% of stakeholders that consider that the IAS work covers the main risks and processes and that its work adds value was overall reached (actual result: average of 95% for all stakeholders<sup>19</sup>).
- The satisfaction survey addressed to the audited services in the Commission and the Executive Agencies after each engagement shows that on average the target level of 1.5 for auditee satisfaction was reached (actual result: 1.5)<sup>20</sup>.

### IAS contribution to the preparation of the AARs of Commission DGs/Services

Apart from its participation in the peer review process, the contribution of the IAS to the AAR process consists in providing a "limited conclusion on the state of internal control" to each DG and Service of the Commission. These conclusions were delivered within the set

18 So far Directorate A (EU autonomous bodies stakeholders) has only used an annual auditee satisfaction survey. As from January 2018, for engagements started under the new audit software, TeamMate, a survey will be launched after each assignment.

19 For more details, see annex 12. The calculation is based on the average level of satisfaction of stakeholders in respect of the following two statements (a) IAS covering the mains risks and processes and (b) IAS work adding value. The target set for 2015 was 80% and was raised in 2016 to 90%.

20 For more details see annex 12.

deadlines (15 February) and are based on all work undertaken by the IAS in the year and the two years preceding it.

### IAS contribution to the Commission's AMPR

The Overall Opinion on the financial management of the Commission for the year 2016 was delivered on 17 May 2017. It contributes to the preparation of the AMPR.

#### Overview of the main outputs in 2017

Internal audit of the Commission and the Executive Agencies			
Description	Indicator	Target	Latest known results (31/12/2017)
Stakeholder satisfaction survey	Level of satisfaction	90% (2017)	Target reached (96.5%)
Limited assurance conclusion on the state of control as a contribution to the preparation of the 2016 AARs	Conclusions issued	15 February 2017	Delivered on time
Overall Opinion on the financial management of the European Commission for the year 2016	Opinion issued	15 May 2017	Delivered on time
Internal audit of the EU Agencies and other autonomous bodies			
Stakeholder satisfaction survey	Level of satisfaction	90%	Target reached (94.25%)

## 1.1.3 To ensure that the work of the IAS is of high value

**Specific objective.1.2: To ensure that the work of the IAS adds value by being conducted in accordance with the Financial Regulation and its Rules of Application, its internal methodology and guidelines and international auditing standards (internal dimension).**



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

On an ongoing basis, the IAS implements the IIA's Standards, in particular Standard 1300: *"The chief audit executive must develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity"*.

At the end of 2017, the IAS underwent an internal quality assessment<sup>21</sup> as required by international auditing standards, i.e. IIA Standard 1311. This self-assessment concluded that the IAS "Generally

<sup>21</sup> In 2016, it underwent a full external quality assessment as required by international auditing standard 1312 of the Institute of Internal Auditors (IIA). It states that "External assessment must be conducted at least once every five years by a qualified, independent reviewer or review team from outside the organisation". The reviewer concluded that the IAS "Generally Conforms" (highest possible rating) to the international standards for the professional practice of internal auditing.

Conforms" to a selection of the Standards of the Institute of Internal Auditors.

#### Overview of the main outputs in 2017

Internal audit of the Commission and the Executive Agencies			
<i>Description</i>	<i>Indicator</i>	<i>Target</i>	<i>Latest known results (situation on 31/12/2017)</i>
Internal Quality Assessment (yearly)	Generally conforms	December 2017	Completed February 2018 Generally conforms, no issues of non-conformance
<i>External Quality Assessment (valid for 5 yrs)</i>	<i>Generally conforms</i>	<i>December 2016</i>	<i>Generally conforms, no issues of non-conformance</i>
Internal audit of the EU Agencies and other autonomous bodies			
Internal Quality Assessment (yearly)	Generally conforms	December 2017	Completed February 2018 Generally conforms, no issues of non-conformance
<i>External Quality Assessment (valid for 5 yrs)</i>	<i>Generally conforms</i>	<i>December 2016</i>	<i>Generally conforms, no issues of non-conformance)</i>

### 1.1.4 To ensure that the IAS is efficient and effective in delivering its audit plans

**Specific objective 1.3: To ensure efficiency and effectiveness in delivering the strategic audit plans through the annual audit plans.**

To ensure the delivery of the audit plans, the IAS actively continued to manage its operational performance through a detailed planning of audit tasks, allocation of staff to engagements, close monitoring of the respect of deadlines and milestones for all audits, detailed time recording for all staff and the regular analysis of the differences between budget and actual time spent on each audit.

The achievement of this objective is measured through five KPIs:

- Delivery of the annual audit plans;
- Use of auditors' time;
- Timeliness of the delivery of audit reports;
- Use of actual time compared to budget for completing an engagement;
- Timely delivery of Annual Reports and Overview reports.

#### Delivery of the annual audit plan

The IAS's strategic plans are implemented through annual audit plans. The annual audit plans aim to cover the high risk areas identified in the course of the preparation of the strategic audit plans, usually at an early stage in order to maximise the added value of any audit recommendation.

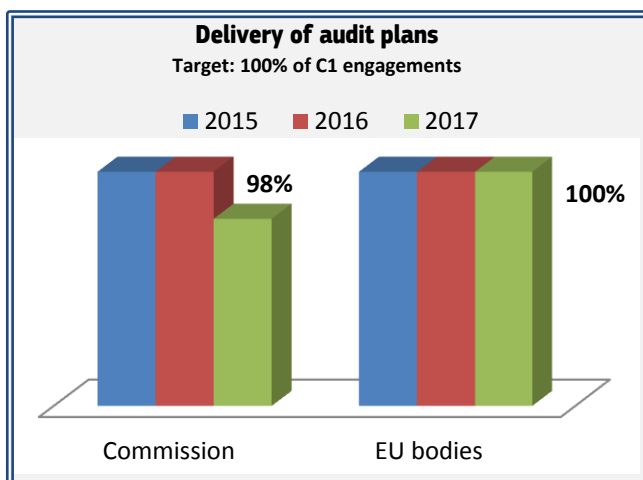
- The updated Audit Plan for 2017 for the Commission was considered by the Audit Progress Committee at its meeting of 8 February 2017 and adopted by the Internal Auditor on 16 February 2017.

- The preparation of the Strategic Internal Audit Plans (SIAP) for those 12 entities (EU Agencies and other autonomous bodies) where the previous SIAP had been completed or became obsolete (target January 2018) is finalised.

The audit plans consist of a list of audit engagements classified as either C1 or C2. C1 engagements must be completed in year N. C2 engagements start in year N and are finalised in year N+1.

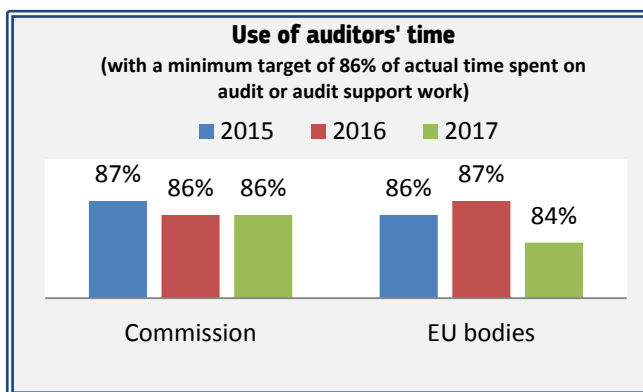
In line with international auditing standards, the audit plan for the Commission was updated at mid-year to take into account new or emerging risks (e.g. new processes or procedures, organisational changes, etc.) and availability of resources.

The audit plans for both the Commission and EU agencies and other autonomous bodies were implemented in full, except for one engagement for the Commission (98% of C1 engagements for the Commission<sup>22</sup> and 100% of C1 engagements for EU Agencies and other autonomous bodies were completed).



### Use of auditors' time

The results for the indicator on the use of auditors' time (with a minimum target of 86% of actual available time spent on audit or audit support work) was 85% (Commission: 86% and EU Agencies and autonomous bodies: 84%). This is a key indicator for assessing the efficient use of resources. The remaining time was spent on training and administration.

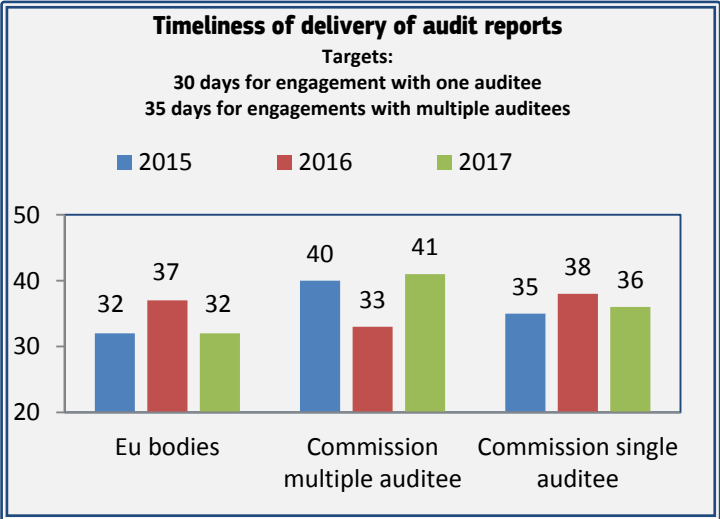


### Timeliness of the delivery of audit reports

The timeliness (efficiency) of the reporting phase of the engagements is measured by the number of working days between the findings validation meeting and the delivery of the final report.

<sup>22</sup> All audit, consulting and follow-up engagements were completed. The issuance of the management letter summarising the results of various audits on Human Resources in the Commission was postponed to 2018 in order to take into account the prolongation of the pilot project (Account Management Centre and Business Correspondent organisation for HR services) conducted by DG HR and the results of other IAS audits on HR that are still in progress.

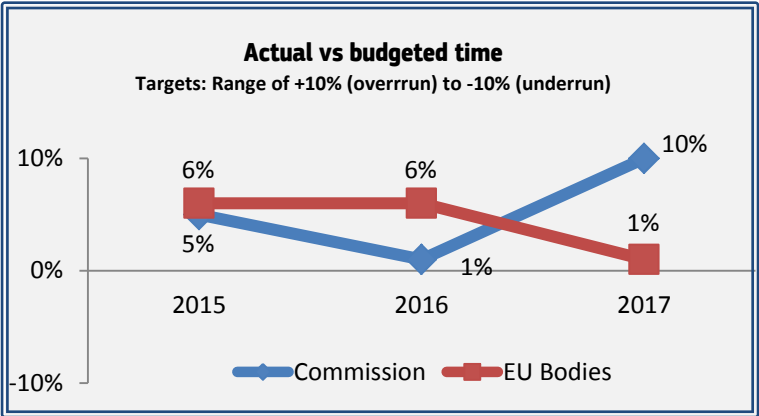
The target set for Commission audits is an average of ≤30 working days for single auditee engagements and ≤35 working days for multiple auditee engagements. Both targets were not met (35.53 days for single auditee engagements and over 40.56 days for multiple auditee engagements). This was notably due to a longer validation process due to a combination of various factors, including (i) the complexity and sensitivity of the issues raised, (ii) the non-availability of the auditees, (iii) the validation put on hold due to other more pressing commitments or (iv) in-depth exchanges with auditees, in certain cases, on the IAS findings and proposed recommendations, coupled with delays in receiving auditees' comments on draft reports. The ambitious targets set for previous years were maintained for 2018.



The target for EU Agencies and bodies of issuing a final report within 30 days after the findings validation meeting was not reached (actual average: 32 days). This was a significant improvement compared to the 2016 average, which was 37 days. While it showed that the efforts made to intensify the communication with the auditee before the findings validation meeting had a positive impact, there is still a number of engagements where the late arrival of auditees' comments or the complexity of the comments made it difficult to reach the target.

**Use of actual time compared to budget for completing an engagement**

The monitoring of the variance between the actual and budgeted time for each audit engagement is important to assess the adequacy of the IAS's planning process as well as the efficiency of the conduct of individual audits. On average the difference between budget and actual time spent was within the tolerable range of ±10%.



**Timely delivery of Annual Reports and Overview reports**

The 2016 Annual Report of the Internal Auditor (Article 99(3) of the FR) was issued on 17 May 2017 and contributed to the Commission's 2016 AMPR, which was issued on 13 June 2017. The IAS was also required to send out annual reports for three EU Agencies and other autonomous bodies. All of these reports were issued within the set deadlines, before the end of March 2017.

recommendations addressed to Commission auditees were issued to the APC on time (9 March, 2 June, 28 July and 14 November 2017).

Reports on the status of open critical or significantly delayed very important IAS recommendations addressed to EU Agencies and other autonomous bodies were issued where applicable (for four Agencies and other Bodies) before the deadline by the end of March 2017.

#### Overview of the main outputs in 2017

<b>Internal audit of the Commission and the Executive Agencies</b>			
<i>Description</i>	<i>Indicator</i>	<i>Target</i>	<i>Latest known results (situation on 31/12/2017)</i>
Updated Audit Plan for 2017 (Strategic Audit Plan 2016-2018)	Timely finalisation	February 2017	Delivered on time
Audit, consulting and follow-up engagements reports planned for 2017	Completion of the 2017 Audit Plan	January 2018	Delivered on time
Overview Reports / Information notes on the follow-up of the IAS recommendations issued to APC throughout 2017	Reports finalised and transmitted to APC (four in total)	March 2017 June 2017 July 2017 November 2017	Delivered on time
2016 Annual Report of the Internal Auditor Art 99(3) of the FR	Report issued	May 2017	Delivered on time
<b>Internal audit of the EU autonomous bodies</b>			
Strategic Internal Audit Plans (SIAPs) to be prepared for those entities where the previous strategic audit plan is completed or has become obsolete	Timely preparation	January 2018	Target met
Audit, consulting reports and follow-up engagements planned for 2017	Completion of the 2017 Audit Plan	January 2018	Target met
Reports on the status of open critical or significantly delayed very important IAS recommendations issued to Agency Directors and management Boards in case their agency has such recommendations	Reports/ Notes finalised and transmitted to Directors and Management Boards	March 2017	Target met

## 1.2 IAS's own organisational management

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

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

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

### 1.2.1 Human Resource Management

The IAS, as a key horizontal service in the Commission contributes to the Commission's general objective:

**Corporate objective 2.1: "The DG deploys effectively its resources in support of the delivery of the Commission's priorities and core business, has a competent and engaged workforce, which is driven by an effective and gender-balanced management and which can deploy its full potential within supportive and healthy working conditions."**

This Commission's general objective can be broken down into the IAS' contribution to three corporate operational objectives (1) achieving the Commission objective of a 40% female representation rate at management level, (2) achieving the Commission objective of increased percentage of staff feeling that the Commission cares about their well-being and (3) achieving the Commission objective of increasing staff engagement.

In addition, the IAS has two specific objectives: (4) providing effective HR services in order to recruit, to support and to maintain a high-performance work force in the IAS, and (5) increasing the capacity and the level of professionalism of internal auditors of the IAS and the EU Agencies and other autonomous bodies.

#### **1. Corporate objective: Achieving the Commission objective of a 40% female representation rate at management level**

Contributing to the achievement of the Commission objective of a 40% female representation rate at management level for the Commission as a whole was identified as one of the key challenges in the IAS Human Resource Plan 2016-2020. On 19 July 2017, the College adopted a new approach<sup>23</sup> to reach this objective and adopted quantitative targets of first female appointments to be made per DG at middle management level. The target set for the IAS was to make one first female appointment by 1 November 2019, which the IAS has already reached with the appointment of a third female Head of

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<sup>23</sup> SEC(2015)336 and SEC(2017)359.

Unit as of 1 October 2017. The percentage of female middle managers in the IAS now stands at 27%.

At the strategic level, the IAS has continued to implement a number of initiatives launched in 2015 to increase the pool of female candidates for middle management positions: information session to familiarise female administrators with the role and tasks of an IAS middle manager, monitoring gender balance for Team Leader and DG Correspondent roles and encouraging female officials to attend management courses.

## **2. Corporate objective: Achieving the Commission objective of increased percentage of staff feeling that the Commission cares about their well-being**

According to the last Commission staff survey results (2016), 32% of IAS staff felt that the Commission cares about their well-being (compared to the Commission average of 35%), down 5% from the previous survey held in 2014.

In 2017, the IAS performed a thorough analysis of the possible root causes of the low score. Staff were closely associated to the analysis and solutions proposed via focus groups organised with DG HR at the beginning of 2017.

An action plan was adopted to remedy the issues identified in the staff survey. As part of the action plan, the IAS put in place two working groups that analysed the issues related to career development at the IAS and well-being/work-life balance and made proposals. The results of the working groups were communicated to senior management and to staff. Priorities were established and the implementation phase has started with, among others, the creation of a staff engagement committee and the development of an IAS middle management network.

To increase work-life balance, the IAS is revising its policy on implementing flexible working arrangements by further developing telework practices throughout the DG in order to be in line with the Commission average (taking into account possible limitations linked to audit work).

The further development of Fit@work initiatives and continuous communication via a dedicated space on the intranet were already part of the actions taken in 2017 with the help of DG HR (via the Account Management Centre).

## **3. Corporate objective: Achieving the Commission objective of increasing staff engagement**

According to the 2016 staff survey results, the staff engagement index in the IAS was at 68%, up 2% from the last survey in 2014 and above the Commission average of 64.3%.



Following up further staff consultation, the decision was taken to create a staff engagement committee and the development of an IAS middle management network.

Actions increasing the mobility of staff within the DG and breaking the silos are being developed (increase the internal communication of job vacancies, job shadowing / swap initiatives between units, etc.)

On a more continuous basis, the IAS continued to actively involve its staff in the audit plan and provided updates on its progress through unit meetings. Regular exchanges of staff between

units/directorates took place. This helped to share experience and to balance the workload between units/directorates.

The IAS continued to provide access to information on achieving good work/life balance (mainly via the IAS intranet) enabling staff to manage better their work life balance.

#### 4. IAS specific objective: Providing effective HR services in order to recruit, to support and to maintain a high-performance work force in the IAS

The main HR challenge for the IAS during 2016-2020 is to recruit the required audit capacity for the implementation of its work programme.

The vacancy rate at the end of 2017 was 4.8% (7 vacancies out of 146 establishment posts), lower than the Commission's average 6.0%.

Over the period 2016-2017, the IAS managed to fill all remaining vacant posts allocated to the IAS in the context of the centralisation of the Commission's internal audit function.

The vacancy rate was further reduced thanks to the high quality of the EPSO/AD/322/16<sup>24</sup> reserve list, which was released in June 2017. The IAS recruited 13 laureates (3 AD5, 10 AD7) from this reserve list, of which 9 took office in the second half of 2017. Four other laureates are planned to join the IAS in the first half of 2018.

An additional challenge for the IAS is to ensure that it can deliver on its priorities whilst meeting the requirements of staff reduction. In the context of the 2014-2020 Multiannual Financial Framework, it was decided to reduce the Commission's staff by 5% over five years (1% linear taxation per year during 2013-2017) in order to lower administrative costs. The Commission also decided to apply a further internal taxation on posts in order to establish a central pool of resources for redeployment within the Institution.

These measures had an important impact on the available human resources in the IAS. They represented an important challenge as between 2012 and 2017, the IAS has had to return 17 permanent posts (10 AD, 7 AST), representing around 10% of the establishment posts.

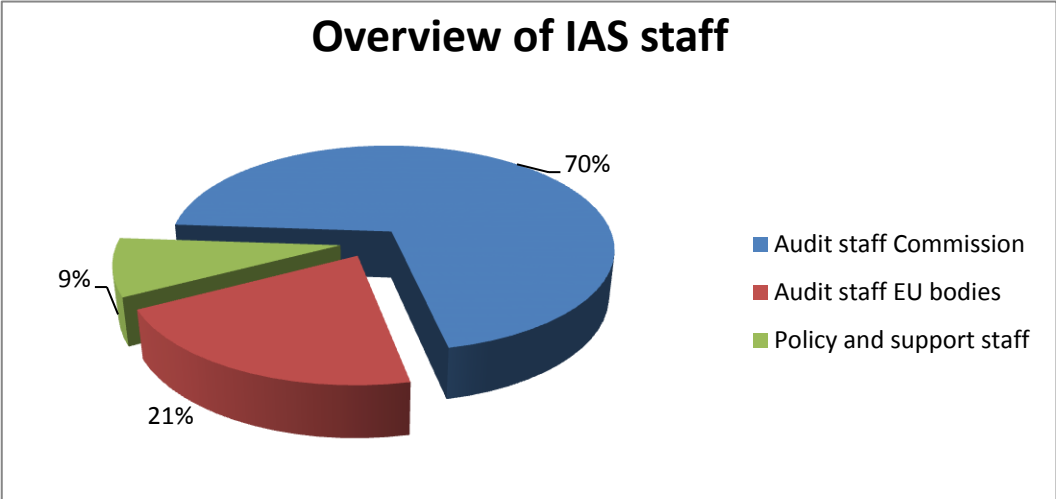
### Human Resources 2017

Human Resources by ABB activity <b>Human Resources 2017</b>				
Code ABB Activity	ABB Activity	Establishment Plan posts	External Personnel	Total
28 AWBL-01	Administrative support for the Internal audit service	3	0	3
28 AWBL-02	Internal audit of the Commission	105	8	113
28 AWBL-03	Policy strategy and coordination for the Internal audit service	7	0.5	7.5
28 AWBL-04	Internal Audit of the Union agencies and other bodies	29	4	33
28 AWBL-05	Coordination with Audit Progress Committee (APC)	2	1.5	3.5
<b>Total</b>		<b>146</b>	<b>14</b>	<b>160</b>

*General remark: the above data rely on the snapshot of Commission personnel actually employed in the IAS as of 31/12/2017. These data do not constitute full-time-equivalent units throughout the year.*

<sup>24</sup> Specialist audit competition for AD5/AD7 Administrators auditors, launched in May 2016.

To enable the IAS to deliver on its priorities, working methods are regularly reviewed to ensure that the internal audit planning process makes the most efficient use of the available human resources and expertise. The implementation of the audit plan is closely monitored and in exceptional cases staff are reassigned on a temporary basis to high priority engagements in other units, where necessary.



The major challenge for the IAS is to retain its experienced and qualified auditors. Several actions related to developing a career path for IAS auditors, work life balance, and flexible working arrangements are being implemented. These actions were decided by IAS management following the results of the 2016 staff survey and the focus groups that were established in 2017. An action plan has been established and both the IAS Learning and Development Strategy and HR plan were updated.

The IAS continued to implement its talent management campaign to encourage female AD staff to apply for management positions. By the end of 2017, the share of AD8 and above female administrators following a management training course was 75%, reaching the target of 75% for 2017.

Another specific IAS objective aims at ensuring the most effective use of administrative support staff. For several years, financial management and IT support tasks in the IAS have been delegated to DG HR under Service Level Agreements. The HR Modernisation project implemented according to the Communication on Synergies and Efficiencies of April 2016 resulted in further changes to the way that HR services are delivered in the Commission. As planned, HR services to the IAS are being delivered by an Account Management Centre (AMC) within DG HR. The IAS is supported by DG HR via its AMC (AMC 5 which serves the following group of DGs: Collège, COMM, EPSC, HOME, IAS, JUST, OLAF, SG, SJ and TF50<sup>25</sup>). As in each DG, the IAS has an HR Business Correspondent Team, responsible for ensuring the implementation of the HR strategy and the actions for reaching the targets of the Strategic Plan 2016-2020. It ensures that the IAS gets the HR service it needs, in cooperation with the AMC. The Internal Communication Correspondent (appointed during 2017) supports these actions and campaigns.

<sup>25</sup> Taskforce on Article 50 negotiations with the United Kingdom

## Overview of the main outputs in 2017

Provide effective HR services in order to recruit, to support and to maintain a high-performance work force in the IAS			
Description	Indicator	Target	Latest known results (situation on 31/12/2017)
Update Learning and Development Strategy	Timely delivery	February 2017	Target met
HR plan 2016-2020	Timely delivery	March 2017	Target met
Management of vacancy rate	Rate of 6% (or less)	December 2017	Target met (4.8%)
Talent management campaign to encourage female AD staff to apply for management positions	% of AD8 and above female administrators following a management training course	75%	Target met (75%)
Implementation of the actions decided by IAS management following the results of the focus groups (established following the 2016 staff survey)	% of implementation of actions planned for 2017	100%	Target met (100%)

### 5. IAS specific objective: Increasing the capacity and the level of professionalism of internal auditors of the IAS and the EU autonomous bodies

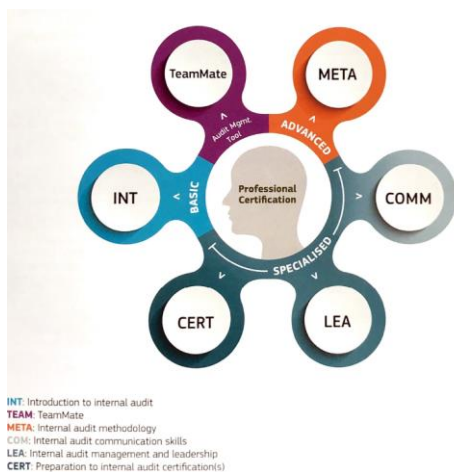
As in previous years, the IAS successfully achieved to retain its experienced and qualified staff and to maintain the excellent level of staff's professional knowledge, skills and know-how.

By the end of 2017, 72% of IAS audit staff were certified auditors. To ensure a high professional standard amongst its staff, the IAS has set a medium term target of 70% of its professional audit staff being fully certified. New recruits are therefore encouraged to strive for at least one certification. The training programme allows staff to develop their careers as internal auditors by preparing them to pass a certification test for Certified Government Auditing Professional (CGAP®), Certified Internal Auditor (CIA®), Certified Information Systems Auditor (CISA®) and/or other professional certifications. In order to ensure a diverse talent base, the IAS also recruits staff with relevant experience but who are not (yet) qualified as internal auditors or certified.



To assist and support its staff, the IAS pays the membership fee for all IAS Auditors or Assistant Auditors to be members of the Institute of Internal Auditors (IIA) and reimburses the membership fees for one further professional organisation.

To support these staff and to ensure their continued development, the IAS has developed a specific comprehensive audit training programme for internal auditors of the EU institutions. This vocational learning path supports newcomers in achieving the desired level of expertise for the implementation of the audit work programme and ensures their continued development.



The Internal Audit Training Programme (IATP) has been regularly updated by taking account of changing priorities for internal audit. In parallel, dedicated audit training through more specialised training courses within and outside the Commission, in particular for IT auditors and audit team leaders, are regularly organised.

The Internal Audit Training Programme covered 100% of all approved training needs of this professional community, as defined by the Internal Audit Training Steering Committee<sup>26</sup>. In total, 22 training sessions were organised, with an overall satisfaction rate of 77%

(increase of 11% compared to last year following the change of contractor). An in-depth training needs assessment confirmed that the programme is still in line with the learning needs of the IAS auditors.

The IAS has also contributed to the capacity building of the internal audit professionals, via for example the Auditors' Forum seminars, which keep auditors abreast of recent developments in the internal audit profession as well as in the Commission (with an overall satisfaction rate of 81%). Six seminars took place in 2017 meaning that the target was met.

In response to the specific needs identified within the IAS, 10 individual coaching sessions aiming at further improving the quality of written communication have been organised.

Five informal meetings for newcomers with the Director-General were held during the year. Directorate A organised two meetings for its Audit Units to present and discuss the latest changes to the IAS methodology.

Auditnet for the decentralised EU Agencies and other autonomous bodies: Two meetings were held on 16 June and 6 October 2017. As in 2016, the second Auditnet meeting of 2017 was restricted to IACs and IAS only to focus the discussions on pure audit topics without the involvement of the auditees. The first Auditnet meeting was a normal meeting attended by all IAS correspondents in the autonomous bodies, including IACs, ICCs and some Heads of Administration. This meeting combined the exchange of audit related information with the updates on common internal control, performance management and data protection issues. Guest speakers from DG Budget, the SG and the EDPS were invited to share their knowledge on these topics. Both meetings were considered useful and the IAS intends to continue organising the two types of Auditnet meetings in the future.

Last but not least, after an interruption in 2016, the IAS continued to organise its annual conference, making use of the expertise of highly-skilled professionals (including those from academia) to share with the IAS and the internal audit community their thoughts and best practices in order to improve working methods. The theme of the 2017 edition, held in Brussels on 5 October, was on "Innovation and creativity in internal audit – Myth or reality?". Highly regarded speakers presented the wider historical, professional and technological developments which are affecting the internal audit profession. The conference was attended by 448 participants (and a proportion of web streaming viewers<sup>27</sup>) and was considered as an excellent opportunity to network with peers and

<sup>26</sup> IATP, chaired by the Head of Unit of IAS.01, with representatives of the IAS, HR, DDG.AMC5 and DG HR.B.3.

<sup>27</sup> In addition, web statistics showed that there were a total of 1009 web streaming views during the live conference with a further total

professionals in the IA profession on a European public sector scale. The conference has added value to both the IAS and to the participants which represent our stakeholders and peers (see chart below). The feedback received included "great food for thought" and that this was the "best IAS Conference attended so far". A total of 98% of all respondents agreed that the main objectives of the conference had been achieved and that their expectations had been met.

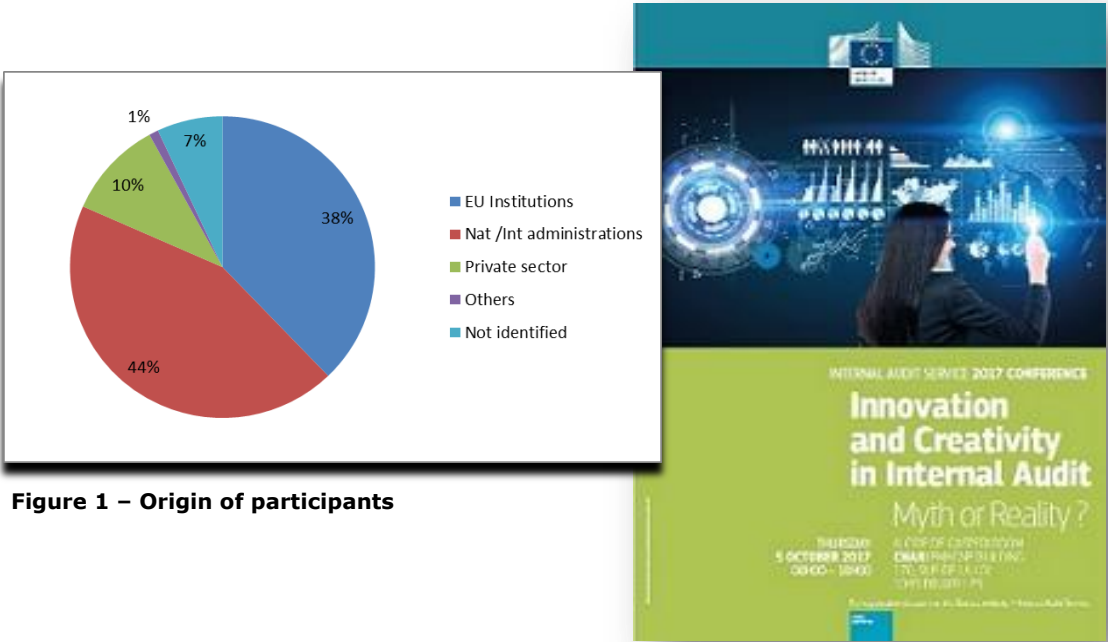


Figure 1 – Origin of participants

Overview of the main outputs in 2017

Increased capacity and the level of professionalism of internal auditors of the IAS and the EU autonomous bodies			
Description	Indicator	Target	Latest known results (situation on 31/12/2017)
Internal Audit Training Programme	Timely delivery	January 2017	Target met
Finalise list of topics for Auditors' Forums	Timely delivery	January 2017	Target met
"Welcome coffee" for new staff	At least one	December 2017	Target met
Organise 6 Auditor Forum sessions	Timely delivery	December 2017	Target met
Annual Audit Conference	Timely delivery	December 2017	Target met
Auditnet for EU Agencies and other bodies	Timely delivery	2 sessions before December 2017	Target met

of 674 views following the event.

## 1.2.2 Financial Management (including risk management and internal control)

The IAS, as a key horizontal service in the Commission contributes to the Commission's general objective:

**The Authorising Officer by Delegation should have reasonable assurance that resources have been used 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 including prevention, detection, correction and follow-up of fraud and irregularities.**

The IAS contributes to this general objective for all Authorising Officers by Delegation in the Commission, in particular, by providing them throughout the year with assurance services relating to their system of internal control and especially by providing the limited conclusion on the state of internal control in their DG before they sign the declaration of assurance in their annual activity reports.

However, the IAS is also involved in the financial management of the resources relating to its own activities. In that framework it focuses on the following priority actions over the period of its Strategic Plan:

### **Objective 1 (mandatory): Effective and reliable internal control system giving the necessary guarantees concerning the legality and the regularity of the underlying transactions**

Title 28 of the budget covers the activity of the policy area 'Audit'. It includes two internal audit activities ("Internal Audit of the Commission" and "Internal Audit of the EU Agencies and other autonomous bodies") and three horizontal activities. The budget allocation for the IAS is included under the heading "Administrative expenditure of the Audit policy area".

The administrative budget of the IAS totalled €19.20 m in 2017. The entire expenditure is delegated to either PMO or to DGs HR and DIGIT. As provided for by the Internal Rules, 96.13% of the IAS's budget is directly delegated to PMO, DG DIGIT and DG HR. The AOD<sup>28</sup> of the IAS is therefore accountable for the remaining 3.87% which is, however, co-delegated<sup>29</sup> to DGs HR and DIGIT. As the budget is managed under the same Commission rules, the primary AOD (IAS) can rely on the legality and regularity, efficiency and cost-effectiveness of the controls in place in DG HR and DG DIGIT. The co-delegation with DG HR is supported by a Service Level Agreement, the co-delegation with DG DIGIT by a Memorandum of Understanding.

This expenditure is therefore covered by the Declaration of assurance of DGs HR and DIGIT. The AODs of these services bear responsibility for their implementation and report in their AARs. All standard controls are performed by the PMO and ex-post controls are performed by DG HR on a sample of transactions executed by the PMO and DG HR in the framework of the existing SLA with the IAS.

<sup>28</sup> According to Art. 98(1) of the Financial Regulation, the Director-General of the IAS (the Commission's Internal Auditor) may not be the Authorising Officer by Delegation (AOD). This role is exercised by the Director of IAS.A.

<sup>29</sup> Type II co-delegation, whereby the IAS is the primary AOD, while DGs HR and DIGIT are the secondary AODs.

Despite the fact that the IAS has also delegated the responsibility over the mission budget, it executes its own additional controls to ensure compliance of its mission expenses with the Commission's Guide for missions and with the IAS specific guidance. All mission requests and cost claims are controlled ex-ante by a verifying officer and a sample of reimbursements is controlled ex-post within the IAS at the beginning of the subsequent year. The target was to keep the error rate below the 2% materiality threshold by end 2017. No errors were identified.

#### Overview of the main outputs in 2017

Effective and reliable internal control system giving the necessary guarantees concerning <u>the legality and the regularity</u> of the underlying transactions			
Description	Indicator	Target	Latest known results (situation on 31/12/2017)
Ex-post controls on missions	Error rate	Below 2% materiality threshold	0% (target reached)

#### **Objective 2 (mandatory): Effective and reliable internal control system in line with sound financial management**

The explanation of the delegation arrangements under Objective n° 1 above also covers the sound financial management aspects. The IAS relies on the internal control systems of DG HR, DIGIT and PMO to ensure that the principles of sound financial management are adhered to. The IAS' own control on mission expenses and the involvement of its IT Unit in the IT projects managed on its behalf by DIGIT contribute to its assurance.

#### Overview of the main outputs in 2017

Effective and reliable internal control system in line with <u>sound financial management</u>			
Description	Indicator	Target	Latest known results (situation on 31/12/2017)
Errors identified in mission costs	Errors identified as a percentage of total mission costs	Below 2% materiality threshold by end of 2017	0% (target reached)

#### **Objective 3 (mandatory): Minimisation of the risk of fraud through application of effective anti-fraud measures, integrated in all activities of the DG, based on the DG's anti-fraud strategy (AFS) aimed at the prevention, detection and reparation of fraud.**

As a non-spending DG with low fraud risk profile, the IAS anti-fraud strategy aims at maintaining the high ethical awareness and stance of its staff and at keeping in place standard preventive and detective control measures (segregation of duties, ex-post controls and collegiality of decisions). The strategy valid for 2017-2019 was adopted on 6 December 2016 following the fraud-risk assessment performed by management at the end of 2016. The services provided by DG HR, DIGIT and PMO are subject to their own anti-fraud measures.

The current IAS AFS was agreed by the senior management in December 2016. The various indicators were measured as part of the Internal Quality Assessment (IQA) concluded by the IAS in the beginning of 2018. With a score of 87.64%, the target for 2017 of "80% of IAS staff to be well informed about how to act when facing ethical

problems" was met. The IQA confirmed that IAS staff is fully aware of and completely conforms to both the Principles and the Rules of Conduct that comprise the Code of Ethics established by the IIA and has sufficiently knowledge of fraud to identify to "red flags" in the context of its engagements.

#### Overview of the main outputs in 2017

<b>Minimisation of the risk of fraud through application of effective anti-fraud measures, integrated in all activities of the DG, based on the DG's anti-fraud strategy (AFS) aimed at the prevention, detection and reparation of fraud.</b>			
<i>Description</i>	<i>Indicator</i>	<i>Target</i>	<i>Latest known results (situation on 31/12/2017)</i>
Implementation of the anti-fraud strategy as planned for 2017	% of implementation of actions planned for 2017 in the anti-fraud strategy	100%	100% (delivered in time)

### 1.2.3 Better Regulation

While the IAS is not directly involved in drafting legislation and managing the regulatory acquis, it identified "Better regulation" as a key theme/risk to be addressed in its audits during the preparation of its Strategic Audit Plan for the period 2016-2018. The IAS contribution to this Commission priority, through audits performed in this area in 2017, is presented in section 2.2.2.

### 1.2.4 Information management aspects

The IAS, as a key horizontal service in the Commission contributes to the Commission's general objective (mandatory):

**Information and knowledge in your DG is shared and reusable by other DGs. Important documents are registered, filed and retrievable.**

As the rest of the Commission, the IAS relies on information for every aspect of its work. The Commission adopted a new corporate strategy for data, knowledge and information management in October 2016. The new strategy establishes a corporate framework while leaving room for DGs to develop and implement their own approaches tailored to their unique needs. Therefore, the IAS has adopted specific policies to enable a change of culture ensuring the effective corporate management of data, information and knowledge.

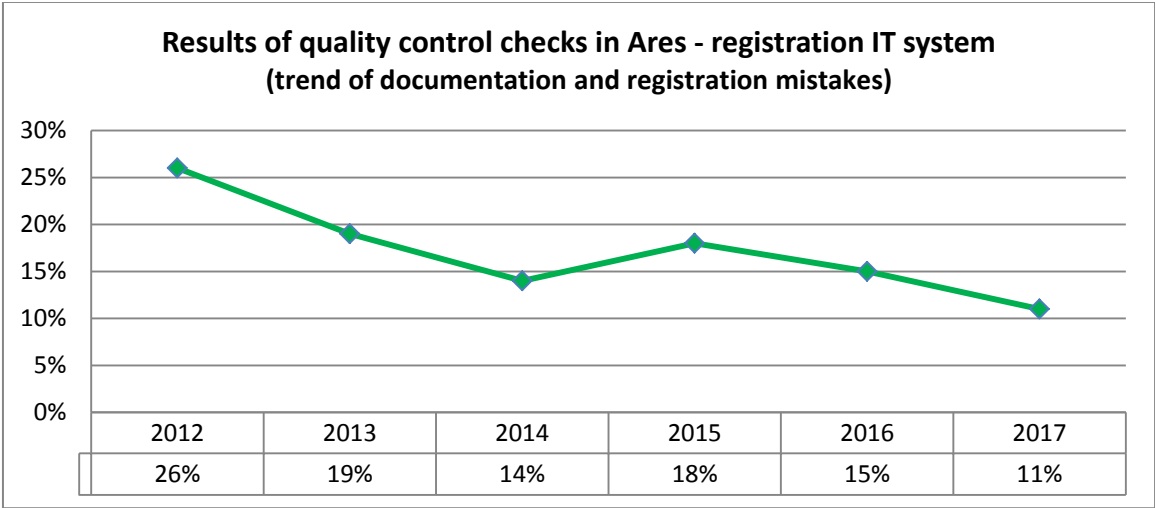
In order to improve productivity and facilitate quality control, the IAS uses an electronic tool (TeamMate) to document its audit work. The tool enables the use of standard checklists, provides an audit trail of the review and supervision of audit work and provides reports on the status of the implementation of audit recommendations. In addition, the tool also allows the IAS to better monitor the progress of the audit plan.

The new tool was rolled out in late 2016 and its implementation continued in 2017 by deploying TeamCentral (the implementation tracking module). Training on the use of the tool started in late 2016 and continued in 2017. 127 internal audit and support staff were trained on the use of TeamMate in the period 20 September 2016 – 17 February 2017. The Risk assessment module was rolled out in October 2017 as originally planned and

most of IAS staff were briefed on its use in the context of the annual risk assessment process. During the summer of 2017, the migration of recommendations from the old system (GRC) to TeamMate was completed and access granted to the issue coordinators. Thus, the audit management tool was fully operational by the end of 2017.

The IAS also identified knowledge management/knowledge retention as an area to be better supported by information systems. The knowledge management initiative is expected to support the work of all auditors in the IAS by better documenting information that exists about the auditees and making the information easier to search, access and share. In 2017, the IAS launched a project to assess its needs, identify different options and implement suitable solutions. Such solutions could entail the improvement of procedures around- or the configuration of existing systems; the content of the Intranet or – if justified – the implementation of an information system to facilitate knowledge management and as such to contribute to a more efficient use of resources and knowledge-sharing to support the core activity of the IAS. (In the latter case, the project will focus on existing solutions within the Commission.). The business case describing different alternatives to address the business needs in the domain of knowledge management has been endorsed by the IAS senior management for discussion. In this context, the use of MS SharePoint has been promoted across the IAS and a pilot site for TeamMate support has been implemented using the Commission tool Connected.

The IAS has a good record in complying with the Commission's e-Domec policy and the set targets have been reached or exceeded. The number of documents registered in 2017 was 2785, slightly below 2016 (2970). A quality control is performed every month and the yearly rate<sup>30</sup> of the mistakes made in terms of documentation and registration shows a general downward trend. Moreover, there is a good coordination within the IAS "Ares Correspondents network".



HAN<sup>31</sup> Files are organised according to the DG's activities and are retained in accordance with the retention periods. Those having reached the end of their administrative retention period were transferred to the HA (historical archives) or deleted in line with e-Domec rules.

30 The most common mistakes are omissions, i.e. missing markings or external transmissions, tab not used for documents sent to external parties, incorrect filing of documents (e.g. title of the document not consistent with the document's title). These mistakes are immediately corrected during the quality control process and do not compromise the reliability of the registration of Ares documents.

31 Hermes Ares Nomcom - Suite of IT tools designed to implement the e-Domec policy rules.

The IAS has one of the highest rates (85% in 2015, 88.9% in 2016 and 90.6% in 2017) of sharing HAN files that are readable/accessible by all units in the IAS. However, given the restrictive nature of its core-business, the IAS is not in a position to share files with other DGs.

The percentage of registered documents that are not filed is 0.36%, below the Commission' average of 2.09% and below the IAS target set at < 1%.

The IAS intranet contains a regularly updated section on document management (Ares, registration, filing, archiving and transfer, incoming mail, outgoing mail, access to documents).

#### Overview of the main outputs in 2017

Information and knowledge in your DG is shared and reusable by other DGs. Important documents are registered, filed and retrievable			
Description	Indicator	Target	Latest known results (situation on 31/12/2017)
2016 Annual report on document management	Timely delivery	2016 report on 30/3/2017	Target met
Staff trained on the use of TeamMate	No of participants Timely delivery	All auditors June 2017 (except Risk assessment module – October 2017)	Target met  Last IAS auditors (90) were trained in the core module (EWP) in Q1 2017  Most IAS auditors were briefed on the use of the RA module in October 2017
Knowledge management system solution	Identification of potential software tools by Q2 2017	June 2017	Target met in July 2017

### 1.2.5 External communication activities

The IAS is not directly involved in any external communication activities with the exception of the Annual Conference. The main objective of the Conference is to share and exchange knowledge on internal auditing at an international level with fellow internal auditors from all over Europe and the rest of the world. Therefore, the conference, which is described in more detail in section 1.2.1 above, is classified as a training event. Nevertheless, the fact that participants come from outside the EU institutions and include representatives from private sector audit firms, other private sector companies, Academia and national and international public sector organisations means that the Conference is also an external communication activity. It allows the IAS to position itself as a leading Internal Audit entity, promote best practices in other organisations and to maintain its image of an attractive employer for high-level, ambitious internal auditors.

## 2. ORGANISATIONAL MANAGEMENT AND INTERNAL CONTROL

### 2.1 Financial management and internal control

(Delegation and Co-delegation to PMO, DG HR and DG DIGIT)

Taking into account that the implementation of the whole budget of the IAS is (co-) delegated to the PMO and DG's HR and DIGIT, management assurance in the IAS on financial management fully depends on the assurance provided by the Authorising Officers by Delegation of these entities in their own Annual Activity Reports.

Additional sources of assurance are the IAS' limited conclusions on the state of control, provided to DG's HR and DIGIT and the PMO, which were unqualified.

#### 2.1.1 Control results

The only control results which go beyond what is reported in the AAR's of DG's HR, DIGIT and PMO are the results of the ex-post controls on IAS mission expenses in 2017. The IAS' own ex-post verification found no material errors in the verified sample of mission expense declarations.

#### Overall Conclusion Table

(See IAS conclusions on the state of control for DG HR and for DG DIGIT)

Activity: Internal Audit	Procurement		ICO indicators available at this level?	Any reservation?
Administrative expenditure (96% of €19.20m)	N/A	€18.46m	(Direct delegation to PMO, DG DIGIT and DG HR) No issues reported	NO
Provision of services in the area of HR and financial management (3% of €19.20m)	N/A	€0.52m	(Co-delegated to DG HR) AAR DG HR: No issues reported	NO
Provision of IT-related services, including services by DIGIT in its role of system supplier for the GRC/TM (1.00% of €19.20m)	N/A	€0.22m	(Co-delegated to DG DIGIT) AAR DG DIGIT: No issues reported	NO
Totals (coverage)		€19.20m		NO

#### Coverage of the Internal Control Objectives and their related main indicators

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

The IAS has set up internal control processes aimed to ensure the adequate management of the risks relating to the legality and regularity of the underlying transactions.

For the year 2017, no payments were made as disclosed in annex 3, table 2 "payments". The entire expenditure under title 28 is either delegated to PMO or co-delegated to DGs HR and DIGIT. According to Article 3.4 of the Internal Rules of the Commission, DGs HR and DIGIT bear the responsibility for these co-delegated appropriations and report on them in their own AAR.

As no issues were reported by DG HR and DG DIGIT in this regard, the IAS can conclude that the DGs' controls are effective and that the payments under title 28 were legal and regular.

- ***Cost-effectiveness and efficiency***

Standard controls are performed by the PMO and the ex-post controls are performed by DG HR on a sample of transactions executed by the PMO and DG HR in the framework of the existing SLA with the IAS.

As in the past, the IAS executed its own controls<sup>32</sup> to ensure compliance of the mission expenses with the Commission's Guide to missions and IAS specific guidance. Therefore, all mission requests and cost claims are controlled ex-ante by the verifying officer, who performs this task in addition to her secretarial duties. The ex-ante controls are efficient and do not slow down the workflow of the AOD or PMO. The process constraints for the booking of AMEX flight tickets set the time limits for the approval of mission orders. Staff would immediately complain if AMEX reservations expire before the mission order is approved. There were no complaints indicating that the approval process was not efficient. All mission expense declarations submitted are processed fast and transmitted to the PMO, which is responsible for their further processing.

In addition, a risk-based sample of reimbursements (6,09% of the mission budget) is controlled ex-post by the Resources team within Unit 01. This covers both legality and regularity and the inherent reputational risk for the IAS and the Institution. The ex-post control activity revealed no material errors thus indicating an effective ex-ante control. No complaints were submitted to the IAS AOD.

In the IAS there is only one type of transaction (missions) with one risk profile. A differentiation of the level of control depending on the level of risk of different types of transactions is therefore not possible. The average number of visas per transaction processed is considered limited to the minimum necessary, as shown in Annex 5.

The total cost of the control amounts to 25% of an FTE<sup>33</sup> (official average cost of €82.800/year) or €20.700/year. This represents 7.63% of the total mission budget of €271,313. The invested amount appears proportionate to the IAS mission budget.

DG IAS has assessed the most relevant key indicators and the cost-effectiveness and the efficiency of the control system and reached a positive conclusion. Furthermore, as inter alia considerations about economies of scope and scale have been one of the reasons behind the Commission decision to set up centralised support Offices on behalf of all DGs, the IAS assumes that control efficiency and cost-effectiveness purposes are served as well.

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32 Annex 5 outlines the main risks together with the control processes aimed to mitigate them and the indicators used to measure the performance of the control systems

33 25% FTE of an AST official, which combines this task with the position of assistant to the Director of Directorate A.

- **Fraud prevention and detection**

In 2016 DG IAS reviewed and updated its anti-fraud strategy for the period 2017-2019.

During 2017, all standard preventive and detective control measures were in place in the IAS (segregation of duties, ex-post controls, collegiality of decisions). The IAS (1) continued to strongly rely on the ethical awareness and the stance of the IAS staff. An information package on ethics is signed for receipt by all new IAS staff upon recruitment, and (2) carried out additional preventive and detective controls such as ex-post controls on missions and the follow-up of potential conflicts of interest if reported by recruitment panel members and/or candidates. The services provided by PMO, DG HR and DG DIGIT are subject to their anti-fraud measures. As for the audit activity, leaking of confidential information (especially conferred by the auditees and the results of audit work), conflicts of interest and lack of objectivity have been identified as risks with a low probability.

Based on the above, and taking into account that the IAS is a non-spending DG with a low fraud risk profile, we can conclude that its Anti-Fraud Strategy is complete and reliable. Its implementation is being monitored twice a year with reporting to the management. In addition, the various indicators were measured as part of the Internal Quality Assessment (IQA) concluded by the IAS in the beginning of 2018. The results of the IQA confirmed that the IAS staff is well informed about how to act when facing ethical problems and has sufficient knowledge of fraud to identify "red flags" in the context of its engagements<sup>34</sup>.

- **Other control objectives: safeguarding of assets and information, reliability of reporting**

As the IAS, in the framework of its audits, manages sensitive information it has put in place procedures to ensure that staff handle information with the necessary precautions to avoid the leak of confidential data or the violation of the data integrity. Specific guidance for IAS staff, in line with Commission rules and regulations, is published on the intranet of the IAS and newcomers are informed upon their arrival. In addition, IAS staff with an audit certification are required by their professional bodies to adhere to a strict code of ethics.

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

The IAS is a mature internal audit service committed to quality and excellence. In 2016, it underwent a full external quality assessment as required by international auditing standards<sup>35</sup>. The exercise involved an evaluation of compliance against international auditing standards, the use of successful practices, and the efficiency and effectiveness of the internal audit activity. The External assessor concluded that "*the Internal Audit service of the European Commission Generally Conforms with the International Standards for the Professional Practice of Internal Auditing*". "Generally Conforms" is the highest rating that can be achieved. The assessor also concluded that the IAS "*operates efficiently and effectively and adds value to the overall Risk Management and Internal*

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<sup>34</sup> See section 1.2.2 Objective 3

<sup>35</sup> Standard 1312 of the Institute of Internal Auditors' (IIA) Standards for the Professional Practice of Internal Auditing states that "External assessment must be conducted at least once every five years by a qualified, independent reviewer or review team from outside the organisation".

*Control framework of the European Commission, Executive and Decentralised Agencies and other EU Bodies".*

The areas for improvement identified in the external assessment and the related recommendations and action plan have been implemented in the course of 2017. At the end of 2017 and the beginning of 2018 the IAS performed its annual internal quality assessment during which it also followed-up on the implementation of the previous recommendations. The IQA confirmed that the IAS "Generally conforms" to the Standards selected for the exercise.

Based on the above information, the IAS concludes that no significant control weakness which may have a significant impact on the assurance was identified.

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

- **Effectiveness of the internal controls**

In the course of 2017 the Commission has adopted a new Internal Control Framework, aimed to ensure the achievement of policy and operational objectives. The new Framework is applicable from 01/01/2018 and the annual assessment on the basis of the new framework will be conducted in the context of the 2018 AAR. At the end of 2017 DG IAS has already put in place the organisational structure and the internal control systems suited to the achievement of the policy and control objectives, in accordance with the new internal control framework. The transition from the IC standards towards the new IC Principles has been accompanied by the definition of the internal control monitoring criteria in the 2018 Management Plan and the appointment of the Director of directorate A of the IAS as the Director in charge of Risk Management and Internal Control (RMIC). In the new framework management assesses on a continuous basis the effectiveness of the internal control systems, in order to determine whether they work as intended and ensure that any control weaknesses in the system are detected, analysed and considered for improvement.

As 2017 was a transitional year the IAS has opted to report on the implementation of the previous "old" Internal Control Standards. The IAS's annual review of the level of implementation and effectiveness was based on a self-assessment exercise which was integrated in the annual management risk assessment survey. Overall the level of implementation of ICS was assessed positively by the 64 respondents (10 more than in 2016) of the survey. Compared to last year, participants to the survey have assessed that the IAS's compliance with the Internal Control Standards remains at a high level of 96% (identical to last year).

The effectiveness of the internal controls was also rated positively. For most ICS, more than 90% of the respondents<sup>36</sup> considered controls as effective (score of 3 out of 5 or above) or they considered that they could not judge the effectiveness.

DG IAS has assessed the internal control systems during the reporting year and has concluded that the internal control standards have been implemented and are functioning as intended.

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<sup>36</sup> A distinction between the 2 categories (90% of the respondents and the others) could not be made. We expect that many respondents are aware that all our expenditure is delegated and that DIGIT and PMO report effective internal control systems.

- **Mitigating measures as regards potential conflict of interests (international standards) – Investigation of the European Ombudsman**

The current Director-General of the IAS, Internal Auditor of the Commission, Mr Manfred Kraff, took office on 1 March 2017. Mr Kraff was previously Deputy Director-General (DDG) and Accounting Officer of the Commission in the Commission's Directorate General, DG Budget.

In line with IIA standards<sup>37</sup>, on 7 March 2017, following his appointment as Director-General and Internal Auditor, Mr Kraff issued instructions on the arrangements to be put in place in order to mitigate and/or avoid any potential or only perceived conflict of interest as regards IAS audit work in relation to his former responsibilities. These arrangements foresaw that Mr Kraff would not be involved in the supervision of audit work relating to operations that he was responsible for before joining the IAS. The supervision of the audit work related to such cases ultimately fell under the responsibility of Mr Jeff Mason, former IAS Acting Director-General (September 2016-February 2017) and current Director in the IAS (IAS.B, Audit in Commission and Executive Agencies I). The arrangements also provided that the APC would be informed of these instructions and of their implementation and that Mr Mason would refer to the APC as regards the assessment of any situation that may be interpreted as impairing Mr Kraff's independence or objectivity. In those cases, Mr Kraff would refrain from any supervision of the related audit work.

The arrangements in place were discussed with the APC at its meetings of April and May 2017 and the APC took stock of the actual implementation in 2017 of these arrangements in its meeting of 31 January 2018.

The IAS notes that the European Ombudsman sent a letter to the European Commission on 4 December 2017 informing that, following a complaint from a citizen, an inquiry would be opened in order to assess the appropriateness of the measures taken by the Commission to prevent any conflict of interest or a perception thereof as regards the appointment of the new Director-General of the IAS. Following the European Ombudsman's letter request for a meeting, an inspection meeting between the Commission and European Ombudsman's services took place on 8 February 2018. On that occasion, the IAS and the Commission's central services replied to the questions raised by and presented the relevant elements to the Ombudsman team, and provided the relevant supporting documents, as per the Ombudsman's request.

## 2.1.4 Conclusions as regards assurance

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

The information reported in this section stems from the results of management monitoring contained in the reports listed. These reports result from a systematic analysis of the evidence available. This approach provides sufficient guarantees as to the

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<sup>37</sup> The international audit standards, to which the Financial Regulation expressly refer to in Article 98 ("Appointment of the Internal Auditor"), state that: "If independence or objectivity is impaired in fact or appearance, the details of the impairment must be disclosed to appropriate parties. The nature of the disclosure will depend upon the impairment." (IIA-IPPF standard 1130). Moreover, the standards state that: "internal auditors must refrain from assessing specific operations for which they were previously responsible. Objectivity is presumed to be impaired if an internal auditor provides assurance services for an activity for which the internal auditor had responsibility within the previous year" (IIA-IPPF standard 1130.A1).

completeness and reliability of the information reported and results in a comprehensive coverage of the budget delegated to the Director-General of DG IAS.

Firstly, the entire expenditure under title 28 is delegated to either PMO or to DGs HR and DIGIT. The AODs of these services bear the responsibility for their implementation and report in their AARs. As no issues are reported in this regard, the IAS can conclude that the DG's controls are effective and that the payments under title 28 were legal and regular. Secondly, the ex-post controls executed on mission expenditure confirmed that management and administration of missions was implemented according to the Commission mission rules and the Guidelines in the IAS. Finally, according to the results of the self-assessment exercise the internal control standards were fully implemented and effective in the IAS.

The functioning of the internal control systems has been monitored throughout the year by the Internal Control Coordinator and the Authorising Officer by Delegation, corrective and alternative mitigating controls have been implemented when necessary.

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

### **Overall Conclusion**

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

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

## **2.1.5 Declaration of Assurance**

# DECLARATION OF ASSURANCE

*We, the undersigned,*

*Manfred Kraff,  
Director-General of the Internal Audit Service of the European Commission,*

*and*

*Reinder van der Zee,  
Director IAS/A, in my capacity as Authorising Officer by Delegation,*

*Declare that the information contained in this report gives a true and fair view<sup>38</sup>.*

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

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

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

Brussels, 27 March 2018

[Signed]

Manfred Kraff

[Signed]

Reinder van der Zee

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<sup>38</sup> True and fair in this context means a reliable, complete and correct view on the state of affairs in the DG/Executive Agency.



## 2.2 Other organisational management dimensions

The IAS is continuously looking for ways to streamline its organisation and is regularly taking initiatives to improve the economy and efficiency of its internal processes.

This section contains examples of such actions in 2017 to illustrate how DG IAS contributes to the Commission's objective of improving its functioning with a view of investing its resources not only to the most relevant objectives but also in the most economical and efficient manner. A complete reporting on all outputs identified in the 2017 Management Plan and on all objectives and indicators set up in the Strategic Plans is done in Annex 2.

### 2.2.1 Human resource management

The IAS is investing its resources not only to the most relevant objectives but also in the most economical, effective and efficient manner.

Its working methods are regularly reviewed to ensure that the internal audit planning process makes the most efficient use of the available human resources and expertise. A more advanced bottom up consultation process has been installed. The implementation of the audit plan is closely monitored and in exceptional cases staff are reassigned on a temporary basis to high priority engagements in other units, where necessary.

The IAS succeeded once more to ensure the required audit capacity for the implementation of its work programme, despite the staff reduction. Over the period 2016-2017, it managed to fill all remaining vacant posts allocated to the IAS in the context of the centralisation of the Commission's internal audit function and recruited excellent laureates from the EPSO/AD/322/16<sup>39</sup> reserve list. The vacancy rate at the end of 2017 was 4.8% lower than the Commission's average 6.0%. By the end of 2017, 72% of IAS audit staff were certified auditors.

To retain its experienced and qualified auditors, several actions in the field of (internal audit) career development, work life balance, flexible working arrangements and learning and development are being implemented. On top of reaching the recruitment target for female Heads of Unit, the IAS continued to implement its talent management campaign to encourage female AD staff to apply for management positions.

The IAS performed a thorough analysis of the possible root causes of issues identified in the staff survey<sup>40</sup>, closely associating staff to the analysis and solutions proposed. Following the work done by the working groups "career development at the IAS" and "well-being/work-life balance", the IAS has created a staff engagement committee and an IAS middle management network.

Actions increasing the mobility of staff within the DG and breaking the silos are being developed (increase the internal communication of job vacancies, job shadowing / swap initiatives between units, etc.).

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<sup>39</sup> Specialist audit competition for AD5/AD7 Administrators auditors, launched in May 2016.

<sup>40</sup> 32% of IAS staff felt that the Commission cares about their well-being (compared to the Commission average of 35%), down 5% from the previous survey held in 2014. However, according to the 2016 staff survey results, the staff engagement index in the IAS was at 68%, up 2% from the last survey in 2014 and above the Commission average of 64.3%.

Training and development needs (Internal Audit Training Programme (IATP), Auditors' Forum seminars, coaching sessions) have been regularly reviewed updated by taking account of changing priorities for internal audit.

The IAS continued successfully to organise its annual conference, making use of the expertise of highly-skilled professionals and was considered as an excellent opportunity to network with peers and professionals in the IA profession on a European public sector scale.

The HR Modernisation project implemented according to the Communication on Synergies and Efficiencies of April 2016 is now in a consolidation phase.

## 2.2.2 Better regulation

In order to deliver better results to citizens and businesses, the Commission has committed itself to a better regulation agenda (COM(2015) 215 final). Stakeholders will judge the Commission on delivering on this agenda which is a key priority for the Commission. While the IAS is not directly involved in drafting legislation and managing the regulatory acquis, it identified "Better regulation" as a key theme/risk to be addressed in its audits during the preparation of its Strategic Audit Plan for the period 2016-2018. Audits in this area include the monitoring and enforcement of EU environmental law in DG ENV (completed in 2017) and two audits started in 2017 and to be completed in 2018 (DG COMP – Enforcement of EU antitrust policy and DG TAXUD – How is DG TAXUD managing the related legislative initiatives under the Better Regulation package?).

## 2.2.3 Information management aspects

Currently, the IAS is the owner of the following applications: (1) GRC (Governance, Risk and Compliance) as the old audit management system, (2) TeamMate as the new audit management system. In addition, the IAS manages Intranet sites for the APC<sup>41</sup> secretariat and for its own purposes.

In line with IT Governance best practices, the IAS retains the ownership of its systems and leads the projects related to them. It ensures the functional helpdesk roles for its systems and for the local Intranet. The IAS has handed over to DG DIGIT the technical management and system supplier roles, including the second level support and the hosting in the Data Centre.

In 2017, the IAS fully replaced the old audit management system, GRC, with the new software, TeamMate in order to improve the IT support of its core activities with enhanced functionalities and better performance. Issues and recommendations in GRC have been migrated and made available in TeamMate for implementation tracking. It also assessed its requirements for knowledge management and documented its business needs. Furthermore; the IAS continued to promote the use of CAATs tools (Computer-Assisted Audit Techniques) for data analysis in audits by making available TeamMate Analytics to all auditors. The IAS also continued to maintain the APC Scoreboard throughout the year for the management of the agenda of the APC meetings. However,

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<sup>41</sup> The APC Scoreboard, which facilitated the management of the agenda of the APC meetings, has been decommissioned at the end of 2017 (APC secretariat uses a MyIntracomm collaborative site on Intranet).

the APC Scoreboard has been decommissioned at the end of 2017 and replaced with a MyIntracomm Collaborative Site on Intranet.

**Main IT priorities per business objective**

General/ specific objective	IT Investment	Predicted Business Impact	2017 Budget	GovIS2 identifier (Seq Num)
To maintain the TeamMate system	TeamMate maintenance	Continued support of the audit process	80.000	OP-1659
To implement a knowledge management search platform	Knowledge Management project	Improved efficiency of audits and document reviews	50.000	PRJ-557
To obtain new CAATs licenses	Data analysis service	Continued support of the data analysis capabilities of IAS for audits with a large population of data	5.000	OP-1092
To maintain the APC Scoreboard application	APC Scoreboard maintenance	Continued support of the APC	45.000	OP-530

In line with its Strategic Plan 2016-2020, the IAS will focus on the following priorities in 2018:

- In order to improve the IT support of the IAS core activities with enhanced functionalities and better performance, the IAS will further enhance the use of the new audit management software (TeamMate) and the TeamSchedule module for planning and resource management by the Head of Units;
- The IAS will continue the process to identify potential solutions for knowledge management in the DG;
- The IAS will continue to promote the use of CAATs tools (Computer-assisted audit techniques) to improve the data analysis performed in the context of the audit engagements.
- The IAS will support the APC secretariat in the use of the MS SharePoint solution.

**2.2.4 External communication activities**

The IAS is not directly involved in any external communication activities except for its Annual Conference (See paragraph 1.2.5 above).

# ANNEXES

## **ANNEX 1: Statements**

### **ANNEX 1a: Statement of the Resources Director**

Following the Section 2.5 of the Service Level Agreement on the provision of support to the Internal Audit Service (IAS) by DG HR, revised on 27th May 2010,

*I, the undersigned, Reinder van der Zee, Director (IAS/A), in my capacity as Authorising Officer by delegation of the IAS, declare that in accordance with the Commission's communication on clarification of the responsibilities of the key actors in the domain of internal audit and internal control in the Commission<sup>42</sup>, I have reported my advice and recommendations to the Director-General on the overall state of internal control in the IAS.*

*I hereby certify that the information provided in Section 2 of the present AAR and in its annexes is, to the best of my knowledge, accurate and complete.*

Brussels,

*[Signed]*

*Reinder van der Zee*

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<sup>42</sup> Communication to the Commission: Clarification of the responsibilities of the key actors in the domain of internal audit and internal control in the Commission; SEC(2003)59 of 21.01.2003.

# **ANNEX 1b: Statement of the "Shared resources services" Director of DG Human Resources and Security**

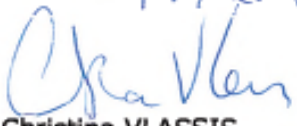
 Ref. Ares(2018)1098646 - 27/02/2018

## **Annex 1: Annual Activity Report**

### **Statement of Assurance for "Shared Resources Services"**

I declare that in accordance with the Commission's communication on clarification of the responsibilities of the key actors in the domain of internal audit and internal control in the Commission<sup>1</sup>, I have provided my advice and recommendations to your services, on the aspects of financial management and internal control in the IAS that fall under the responsibility of DG HR.

I hereby certify that the information provided by my services in relation to Part 2 and Annex 3 of the Annual Activity report is, to the best of my knowledge, accurate and exhaustive.

Date: 26/2/2018  
  
Christina VLASSIS

## **Annex 2**

### **DG HR's Services to the IAS in 2017**

#### **Internal Control and Accounting Services**

##### **Internal Control Services**

DG HR analyses the results of different controls in order to substantiate the Director General's assurance statement. These controls cover the part of the budget entrusted to DG HR by the IAS. The controls that are most relevant to the IAS Director-General's assurance statement, as formulated in the AAR standing instructions, are the ex post controls, the sub delegated authorising officers' assurance reports and exceptions or noncompliance reports.

##### **I) Ex-Post Control on Financial Transactions**

The annual ex-post control campaign is well established in DG HR. Its primary purpose is to estimate the DG's error rate. The controls are performed both by senior management and by the finance and internal control unit. The latter coordinates the overall campaigns and ensures that the associated rules are respected.

A second objective of the ex-post control campaigns is to identify and remedy any control weaknesses in financial management. The results of ex-post control performed in DG HR, although not specifically designed to focus on IAS financial management, covered the key processes and individual transactions (commitments, payments and recoveries) that would affect the assurance statement of the IAS. The results of the controls, based on an estimated 34% of the budget, indicate an error rate (RER) of 0%. The errors were generally linked to procedural issues as opposed to material losses or 'amounts at risk'. This reassuring result would confirm the findings of the Court of Auditors in recent years.

##### **II) Assurance Reports and Exceptions or Noncompliance Reports**

DG HR's active authorising officers submitted reports to support the assurance statement of the Director General. Those who took over the functions from the departing staff also provided assurance regarding the smooth-running of the handover. The reports did not highlight any problems or weaknesses that had not already been identified and addressed through the exception reports.

DG HR's register of exceptions and non-compliance events highlights some issues related to the non-respect of standard procedures in financial management. The amount at risk associated with the exceptions is limited. The exceptions were generally associated with non-standard measures taken to ensure business continuity in the area of renewal of procurement contracts. None of the exceptions were related to the systems or transactions of the IAS.

### **Accounting Services**

The accounting correspondent reviewed the accounts and checked the bookings made in the frame of the accounting closure. All the data in the AAR Annex 3 were checked and reconciled with the detailed financial reports.

The new approach applied by DG BUDG to assess the accounting quality and the risks related to the validation of local systems, resulted in an initial assessment of the IAS as being of being exposed to a medium risk level in the field of accounting quality. The accounting correspondent successfully communicated a corrected final assessment of the IAS accounting quality, which was subsequently accepted by DG BUDG. The IAS accounting quality is considered as 'low risk'.

### **Overall Result for the AAR of the IAS**

The results of our work on financial management and reporting for the IAS indicate that there are no associated issues that would adversely affect the assurance statement of the Internal Auditor. On this basis, the internal control coordinator may provide the necessary assurance and sign the assurance statement included in Annex 1 of the AAR.

Christina VLASSIS



DG HR's Internal Control Coordinator

Head of Finance, Procurement &  
Internal Control Unit (HR.R1)

## ANNEX 2: Reporting – Human Resources, Better Regulation, Information Management and External Communication

A complete reporting on all outputs identified in the 2017 Management Plan and on all objectives and indicators set up in the Strategic Plans is done in the body of this report. This annex is the annex of section 2.2 "Other organisational management dimensions".

### Human Resources Management

<b>Objective (mandatory)<sup>43</sup>:</b> The DG deploys effectively its resources in support of the delivery of the Commission's priorities and core business, has a competent and engaged workforce, which is driven by an effective and gender-balanced management and which can deploy its full potential within supportive and healthy working conditions.		
<b>Indicator 1 (mandatory):</b> <b>Percentage of female representation in middle management</b> Source: data to be provided by DG HR		
Baseline: 22.2% per 1/1/2016 (Commission average: 31.9%)	Final target by 2019: 40% <sup>44</sup>	<b>Latest known results as per Annual Activity Report:</b> 2016: 18% (Commission average: 31.9%) 2017: 27%(Commission average: 37%)
<b>Indicator 2 (mandatory):</b> <b>Percentage of staff who feel that the Commission cares about their well-being</b> Source: <a href="#">Commission Staff Survey</a> – data to be provided by DG HR		
Baseline 2014: 37.5% Commission average not communicated for the 2014 survey	Target: in line with the Commission average	<b>Latest known results as per Annual Activity Report</b> 2016: Corporate indicator: 35% IAS indicator: 32%
<b>Indicator 3 (mandatory):</b> <b>Staff engagement index</b> Source: Commission staff survey – data to be provided by DG HR		
Baseline 2014: 65.5% (Commission average: 65.3%)	Target: in line with the Commission average	<b>Latest known results as per Annual Activity Report</b> 2016: IAS indicator: 68% Commission average: 64.3%

<sup>43</sup> Monitoring of the corporate impact indicators will be performed by the SG once per year and the results will be shared with all DGs and services in time for inclusion in the Annual Activity Reports.

<sup>44</sup> From list of targets for each DG as adopted by the Commission on 15 July 2015 – SEC(2015)336. Specific indicative sub-targets per DG have since been reassigned – see SEC(2017)359.

**Specific objective 2.1:**

**Provide effective HR services in order to recruit, to support and to maintain a high-performance work force in the IAS**

**Result indicator 1:**

**Vacancy rate**

Source of data: Internal calculations

Baseline 2015 8% (31.12.2015)	Interim Milestone N/A		Target	Latest known results as per Annual Activity Report
	2016	2017	Commission average to be reached by 2018	
	7%	6%	In line with Commission average	

**Result indicator 2:**

**Encourage AD8 and above female administrators to follow a management training course**

Source of data: Internal

Baseline 31.12.2016 IAS: 62.5%	Interim Milestone N/A		Target 2017:	Latest known results as per Annual Activity Report
	2016	2017		
			75%	75%

**Specific objective 2.2:**

**Increased capacity and the level of professionalism of internal auditors of the IAS and the EU autonomous bodies**

**Indicator 1:**

**Percentage of staff certified**

Source: Internal calculations

Baseline 2015	Interim Milestone			Target 2019	Latest known results as per Annual Activity Report
	2016	2017	2018		
64%	66%	67%	68%	70%	2015: 64% 2016: 66% 2017: 72%

**Result indicator 2:**

**Internal auditors are kept abreast of the latest developments in the Commission and the profession relevant for their work through structured opportunities for continuous learning**

Source: Internal

<b>Baseline 2014</b> 6 Auditors Forum seminars held in 2014, 2015 and 2016	<b>Target 2016-2020 (yearly target)</b> <ul style="list-style-type: none"> <li>At least six seminars per year</li> <li>Two half-day events every two years starting in 2016</li> </ul>	<b>Latest known results as per Annual Activity Report</b> Target met
<b>Baseline 2014</b> Hosting annual international audit conference Satisfaction of 84%	<b>Target 2016-2020 (yearly target)</b> <ul style="list-style-type: none"> <li>One day conference in 2017</li> <li>Satisfaction rate of participants</li> <li>Target in 2015: At least 80% of respondents satisfied with the role of the IAS in promoting topical discussions</li> </ul>	<b>Latest known results as per Annual Activity Report</b> Target met 2014: 87% 2015: 91% 2016: No conference held 2017: 98%

<b>Result indicator 3:</b> <b>The Internal Audit Training Programme covers the necessary needs as defined by the Internal Audit Training Steering Committee</b> Source: Internal annual training needs survey		
<b>Baseline</b> 2015: needs are covered	<b>Target 2016-2020 (yearly target)</b> IAS Management confirming that the necessary needs are covered	<b>Latest known results as per Annual Activity Report</b> Target met

## **Financial Management (including risk management and internal control)**

<b>Objective 1 (mandatory):</b> <b>Effective and reliable internal control system giving the necessary guarantees concerning <u>the legality and the regularity</u> of the underlying transactions</b>		
<b>Indicator 1 (mandatory):</b> <b>Estimated residual error rate<sup>45</sup></b> <i>As explained in the narrative, the IAS will rely on the assurance provided by the AOSDs and its additional own controls regarding mission expenditure. As in the past, a qualitative approach will be employed to judge on the legality and regularity of expenditure taking into account all of the above.</i> Source: IAS internal		
<b>Baseline</b>	<b>Target 2016-2020 (annual target)</b>	<b>Latest known results as per Annual Activity Report</b>
2014: judged to be close to 0 %	<i>Below the materiality threshold of 2% each year</i>	2016: 0.15% 2017: 0%
<b>Indicator 2 (mandatory):</b> <b>Estimated overall amount at risk for the year for the entire budget under the DGs responsibility.</b> <i>Rf. to indicator 1 above</i> Source: internal		
<b>Baseline</b>	<b>Target 2016-2020 (annual target)</b>	<b>Latest known results as per Annual Activity Report</b>
2015: judged to be close to € 0	<i>Below materiality threshold of 2% each year</i>	2016: Target reached (€0) 2017: €0
<b>Indicator 3 (mandatory):</b> <b>Estimated future corrections</b> Source: internal		
<b>Baseline</b>	<b>Target</b>	<b>Latest known results as per Annual Activity Report</b>
2015: €0	Given the target on the amounts at risk, no corrections are likely to be made ex-post. However, if needed, IAS is determined to ensure full recovery of undue amounts paid out.	2016: €0 2017: €0.

<sup>45</sup> For the definition, see the first annex to the AAR instructions 2014 "Key definitions for determining amounts at risk" at <https://myintracomm.ec.europa.eu/budgweb/EN/rep/aar/Documents/aar-standing-instructions.pdf>.

**Objective 2 (mandatory):****Effective and reliable internal control system in line with sound financial management.****Indicator 1 (mandatory):****Conclusion reached on cost effectiveness of controls**

Source: IAS estimation of the costs of controls on missions and other expenditure

Baseline: 2014	Target 2016-2020: (annual target)	Latest known results as per Annual Activity Report
Yes (0.25 AST FTE)	No more than 0.25 AST FTE	2016: Yes - Target reached (0.25 AST FTE) 2017: Yes - Target reached (0.25 AST FTE)

**Indicator 2:****Conclusion reached on reliability, effectiveness of controls within the IAS**

Source: Qualitative analysis of exception register, transactions rejected by PMO, errors reported by DG HR, errors detected in sample of missions verified by the IAS in its ex-post control

Baseline (2015)	Target 2016-2020; (annual target)	Latest known results as per Annual Activity Report
Errors identified as a percentage of total mission costs = 0.1%	Below materiality threshold of 2% each year	2016: Target reached 2017: Target reached

**Objective 3 (mandatory):****Minimisation of the risk of fraud through application of effective anti-fraud measures, integrated in all activities of the DG, based on the DG's anti-fraud strategy (AFS) aimed at the prevention, detection and reparation of fraud.****Indicator 1 (mandatory)****Implementation of the action plan stemming from the updated 2017-2019 anti-fraud strategy of DG IAS, elaborated on the basis of the methodology provided by OLAF<sup>46</sup>**

Source: information available in DG's AFS

Baseline: period 2014-2016	Interim Milestone (2016-2017)	Target by 2020	Latest known results as per Annual Activity Report
IAS Anti-fraud strategy released on 20 January 2014	100% Implementation of actions planned for 2017 in the anti-fraud strategy (low fraud risk profile)	Keeping in place adequate controls (low fraud risk profile)	Updated AFS 2017-19 <sup>47</sup> Target met

**Better regulation**

(N/A)

46 The methodology can be found on the FPDNet website: <https://myintracomm.ec.europa.eu/serv/en/fraud-prevention/ToolBox/Documents/Methodology%20and%20guidance%20for%20DGs%20anti-fraud%20strategies.pdf>. In particular paragraph 3 of the methodology is relevant.

47 Circulated to IAS staff on 19/12/2016 - Ares(2016)7038376

## Information management aspects

<b>Objective (mandatory):</b> <b>Information and knowledge in your DG is shared and reusable by other DGs. Important documents are registered, filed and retrievable</b>		
<b>Indicator 1 (mandatory):</b> <b>Percentage of registered documents that are not filed<sup>48</sup> (ratio)</b> Source: <i>Hermes-Ares-Nomcom (HAN)</i> <sup>49</sup> statistics – data to be provided by DG DIGIT		
Baseline	Target 2016-2020	<b>Latest known results as per Annual Activity Report</b>
2015: 1.2% (3.51% at Commission level)	< 1% <sup>50</sup>	2017: 0.36% (2016: 0.33%) Commission' average: 2.09% (2016)
<b>Indicator 2 (mandatory):</b> <b>Percentage of HAN files readable/accessible by all units in the IAS</b> Source: <i>HAN statistics</i> - data to be provided by DG DIGIT		
Baseline	Target 2016-2020	<b>Latest known results as per Annual Activity Report</b>
2015: 85.1% (77.88% at Commission level)	85% <sup>51</sup>	2017: 90.61% (2016: 88.95%) Commission' average: 71.76% (2016)
<b>Indicator 3 (mandatory):</b> <b>Percentage of HAN files shared with other DGs</b> N/A: Given the restrictive nature of the IAS work, the IAS does not share files with other DGs. Occasionally, there might be an exception (see baseline). Source: <i>HAN statistics</i> - data to be provided by DG DIGIT		
Baseline	Target 2016-2020	<b>Latest known results as per Annual Activity Report</b>
2015: 0.05% (represents 1 file) 6.25% at Commission level	0% <sup>52</sup>	2017: 0.04% (2016: 0.04%), corresponds to 1 file Commission' average: 7.62% (2016)

<b>Indicator 4 (IAS specific):</b> <b>Finalisation of the timely implementation of new IT audit tool</b> Source: internal			
Baseline	Interim Milestone	Target 2020	<b>Latest known results as per Annual Activity Report</b>
2017 New	Tool to be operational in October 2016	N/A	Delivered on time

48 Each registered document must be filed in at least one official file of the Chef de file, as required by the e-Domec policy rules (and by ICF principle 13 of Part IV). The indicator is to be measured via reporting tools available in Ares.

49 Suite of tools designed to implement the e-Domec policy rules.

50 1% is an ambitious target. In any case, 0% is not feasible because there is always a turnover of registers waiting for the opening of files.

51 To promote the knowledge sharing amongst IAS auditors, the IAS has chosen to give a maximum of access to IAS documents. However, the remaining 11.05% to check concern restricted files related to management, horizontal, QA and HR issues.

52 The IAS Audit files contain sensitive information and nevertheless can't be shared at Commission level

indicator	<b>Target 2017:</b> Tool to be fully operational in June 2017 (except risk module by October 2017)		
<b>Indicator 5 (IAS specific):</b> <b>Knowledge management system: identification of potential software tools</b> Source: internal			
Baseline	Interim Milestone	Target 2020	<b>Latest known results as per Annual Activity Report</b>
New indicator	Results by Q4 2016 <b>Target 2017:</b> Results by Q2 2017 (June 2017)	N/A	Delivered on time

**External communication activities**

The IAS is not directly involved in any external communication activities except for its Annual Conference.

## **ANNEX 3: Draft annual accounts and financial reports**

All IAS budget lines are codelegated TYPE2 (DGA > DGB) to DGs DIGIT and HR. Consequently, all payments are reported in the AARs of DGs DIGIT and HR.



IAS  
AAR2017\_DG\_annex.

## **ANNEX 4:      Materiality criteria**

This annex provides detailed explanation on how the AOD defined the materiality threshold as a basis for determining significant weaknesses that should be subject to a formal reservation to his declaration.

In the analysis leading to the decision on whether to issue reservations or not, the IAS used the following criteria:

### Qualitative assessment

- Non achievement of an important objective/obligation

### Quantitative assessment

- In order to be considered "material" in quantitative terms, failings must have a direct financial impact on the budget, affecting a significant proportion of total commitment appropriations or payments. In line with internal guidelines a weakness would have been considered 'material' only if there is a direct financial impact or risk of loss of more than 2% of the overall IAS budget (Title 28).

### Assessment of reputational events

- A significant reputational risk for the IAS or the Commission: given the nature and sensitivity of IAS work, any impediment to the fulfilment of IAS obligations as laid down in the Financial Regulation could have a significant impact on the reputation of the Commission and should be explicitly mentioned.

As almost the entire IAS budget is co-delegated to DGs HR and DIGIT, the impact of reservations in their AAR on the budget of the IAS will also be taken into consideration.

## ANNEX 5: Internal Control Template(s) for budget implementation (ICTs)

### Mission expenses

#### Main control objectives:

To ensure compliance of the mission expenses with the Commission's Guide to missions and IAS specific guidance<sup>53</sup>. As in the past, the IAS executed its **own controls to ensure compliance of the mission expenses** with the Commission's Guide to missions and IAS specific guidance. Therefore, all mission requests and cost-claims are **ex-ante** controlled by the verifying officer. In addition, a risk-based sample of reimbursements is controlled **ex-post** by the Resources team within Unit 01. The ex-post control activity revealed no material errors thus indicating an effective ex-ante control.

The table below outlines the main risks together with the control processes aimed to mitigate them and the indicators used to measure the performance of the control systems.

Main risks It may happen (again) that...	Mitigating controls	How to determine coverage, frequency and depth	How to estimate the costs and benefits of controls	Control indicators
The mission expenses will not be in compliance with rules and guidelines and/or not be cost-effective.	Ex-ante validation of the opportunity of the mission (justification, location, number of staff, duration, etc. )	100% ex-ante validation by the direct superior and AOD	Cost = negligible (less than 1% FTE) Benefit = elimination of nonessential missions	<ul style="list-style-type: none"> <li>- Missions are limited to the essential</li> <li>- All ineligible amounts are identified by ex-ante control (as corroborated by ex-post)</li> <li>- All cases of irregularity or divergence from the best practice are listed and clarified</li> <li>- Systemic conclusions are used to inform staff and improve the management system</li> </ul>
	Ex-ante verification of the travel orders and claims for reimbursement	100% ex-ante control by the verifying officer	Cost = €20,700 or 25% FTE (FTE= €82,800/year) Benefits = identification of ineligible amounts	
	Independent ex-post control	Ex-post control of representative sample of expenses (6.09%) by the resources team	Cost = approx. 2 working days Benefits = identification of differences of interpretation between the IAS and PMO in terms of ineligible amounts, thus giving an indication of the effectiveness of the ex-ante control	
	Exception reporting	See ex-ante verification and ex-post control	Cost = negligible Benefits = transparent reporting of exceptions	

<sup>53</sup> Payments are not included in the main control objectives as they are executed by the entrusted entity, PMO, subject to similar management governance modalities. The corresponding controls are reported by the PMO in their AAR.

**ANNEX 6: Implementation through national or international public-sector bodies and bodies governed by private law with a public sector mission (not applicable)**

**ANNEX 7: EAMR of the Union Delegations (not applicable)**

**ANNEX 8: Decentralised agencies (not applicable)**

## **ANNEX 9: Evaluations and other studies finalised or cancelled during the year (not applicable)**

There were no evaluations or studies planned by the IAS in 2017.

**ANNEX 10: Specific annexes related to "Financial Management" (not applicable)**

**ANNEX 11: Specific annexes related to "Assessment of the effectiveness of the internal control systems" (not applicable)**

## ANNEX 12: Internal Audit in 2017 (performance tables)

The IAS, as a horizontal service in the Commission contributes to the following general objective of the Commission:

<b>General objective No 11</b>		
<b>To help achieve the overall political objectives, the Commission will effectively and efficiently manage and safeguard assets and resources, and attract and develop the best talents.</b>		
<b>Impact indicator (N°36):</b>		
<b>Trust in the European Commission</b>		
Source of the data: <a href="#">Standard Eurobarometer on Public Opinion in the European Union</a>		
Baseline (EB 83 – Spring 2015)	Target (2020)	Latest known value
40% tend to trust	Increase	Spring 2016: 37% tend to trust (EB 85) Spring 2017: 41% tend to trust (EB 87 – Spring 2017)
<b>Impact indicator (N°37):</b>		
<b>Staff engagement index in the Commission</b>		
Source of the data: <a href="#">European Commission</a>		
Baseline (2014)	Target (2020)	Latest known value
65.3%	Increase	2016: Commission: 64.3%

This Commission's general objective can be broken down into three specific IAS operational objectives<sup>54</sup> as described below.

<b>Specific objective 1.1</b>		
<b>To ensure that the work of the IAS adds value to the Commission services and EU Agencies and other autonomous bodies and contributes to the improvement of their operations (external dimension).</b>		
<b>Result indicator 1.1:</b>		
<b>Level of satisfaction of stakeholders</b>		
<b>(APC/Management Boards and Directors-General/Directors of autonomous bodies)</b>		
Results of the annual satisfaction survey to show a minimum level of satisfaction		
Source of the data: 2017 IAS annual Stakeholder Survey		
Baseline 2015	Target 2016 – 2020 (Annual target)	Latest known results (situation on 31/12/2017)
Commission stakeholders: 88% <sup>55</sup>	Commission stakeholders: minimum 90%	Commission stakeholders: 2015: 87.5% 2016: 87.5% 2017: 96.5%

<sup>54</sup> The 2015 Management Plan was structured in accordance with the ABB-activity structure of the IAS in 2014. The introduction of these three specific objectives resulted from the preparation of the 2016-20 Strategic Plan and the 2016 Management Plan.

<sup>55</sup> This calculation is based on the average level of satisfaction of: (1) APC PG members and (2) Commission DGs and Directors of Executive Agencies, in respect of the following two statements (a) IAS covering the main risks and processes and (b) IAS work adding value.

EU autonomous bodies stakeholders: 91% <sup>56</sup>	EU autonomous bodies stakeholders: minimum 90%	EU autonomous bodies stakeholders: 2015: 91.5% 2016: 92.66% 2017: 94.25%
<b>Result indicator 1.2:</b> <b>Level of auditee satisfaction</b> Source: Satisfaction survey addressed to the audited services in the Commission and the Executive Agencies and EU autonomous bodies after each engagement.		
<b>Baseline</b>	<b>Target 2016-2020</b> Annual target	<b>Latest known results</b> (situation on 31/12/2017)
Average score of 1.5 on a scale from 1 (strong agreement) to 4 (strong disagreement)	Average score of 1.5	Average score of 2016: 1.5 2017: 1.53
EU autonomous bodies stakeholders: So far Directorate A has only used an annual auditee satisfaction survey. For engagements started under the new audit software, TeamMate, a survey will be launched after each assignment.		
<b>Output indicator 1.3 (effectiveness):</b> <b>Timely delivery of IAS overall opinion on financial management in the Commission</b> Source: Regular IAS internal monitoring.		
<b>Baseline</b> Target met (2015)	<b>Target 2016-2020</b> Annual target: By 15 May of year n+1	<b>Latest known results</b> (situation on 31/12/2017) Delivered on time
The Overall Opinion on the financial management of the European Commission for the year 2016 was delivered on 17 May 2017.		
<b>Output indicator 1.4 (effectiveness):</b> <b>Timely delivery of IAS conclusion on the state of internal control as a contribution to the preparation to the AARs of DGs/Services/Executive Agencies</b> Source: Regular IAS internal monitoring.		
<b>Baseline</b> New indicator	<b>Target 2016-2020</b> Annual target By 15 February of year n+1	<b>Latest known results</b> (situation on 31/12/2017) Delivered on time
The limited conclusions on the state of control as a contribution to the preparation of the 2016 AARs were delivered by the set deadlines (15 February 2017), within the set deadlines.		

56 This calculation is based on the average level of satisfaction of: (1) Board members of the EU autonomous bodies and (2) Directors of the EU autonomous bodies, in respect of the following two statements (a) IAS covering the mains risks and processes and (b) IAS work adding value.

**Specific objective 1.2**

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

**Result indicator 2.1 (effectiveness):**

Successful compliance with the internal methodology and guidelines of the IAS and with international internal auditing standards as assessed through the Internal Quality Assessment (IQA)

Source: Report of the internal quality assessment carried out by IAS 01 for all three Directorates

Baseline	Target 2016-2020	Latest known results as per Annual Activity Report (2017 IQA)
IQA of 2015 No non-conformance issues raised	Yearly target No non-conformance issues raised	No non-conformance issues raised

**Result indicator 2.2 (effectiveness):**

General compliance with the internal methodology and guidelines of the IAS and with international internal auditing standards as assessed through the External Quality Assessment (EQA)

Source: Report of the independent External Quality Assessor

Baseline (EQAs of 2011 and 2013 <sup>57</sup> )	Target 2016-2020 - periodical target (at least every five years):	Latest known results as per Annual Activity Report (2016 EQA – VALID FOR 5 YEARS)
No non-conformance issues raised	No non-conformance issues raised	No non-conformance issues raised

**Specific objective 1.3**

To ensure efficiency and effectiveness in delivering the strategic audit plans through the annual audit plans.

**Output indicator 3.1 (effectiveness):**

Completion rate of the annual audit plan

Source: Regular IAS internal monitoring.

Baseline 2015	Target 2016-2020	Latest known results (situation on 31/12/2017)
100%	Each year, completion of 100 % of C1 engagements (i.e. engagements to be completed during the year) included in the (revised) audit plans in both Commission and EU autonomous bodies	<u>Commission:</u> 2014: 100% 2015: 100% 2016: 100% 2017: 98% <sup>58</sup>  <u>EU bodies:</u> 2015: 100% 2016: 100% 2017: 100%

57 For audits in the decentralised agencies and other autonomous bodies, the previous EQA was carried out in 2011, while for the audits in the Commission and Executive Agencies, the previous EQA was carried out in 2013.

58 One management letter was postponed to 2018 (see section 1.1.4).

## Engagements in the Commission and Executive Agencies finalised in 2017

DG	AUDIT TITLE	Project Type
AGRI	Audit on DG AGRI's management of agricultural market crisis	comprehensive audit
AGRI	Is DG AGRI's control strategy adequately designed and implemented to provide assurance on the CAP 2014-2020 expenditure?	comprehensive audit
AGRI	Audit on AGRI-implementation of RDPs	comprehensive audit
AGRI	Audit on implementation of payments and corrections in DG AGRI (shared management)	comprehensive audit
AGRI	Limited review on validation and adjustment of the reported errors rates by DG AGRI	limited review
AGRI	Audit on Evaluation process in DG AGRI	comprehensive audit
BUDG	Audit on Effectiveness and efficiency of the new Early detection and exclusion system (EDES) in protecting the EU financial interests in DG BUDG	comprehensive audit
CHAFEA	Audit on CHAFEA's management and control system for the implementation of the measures for the promotion of agricultural products	comprehensive audit
COMP	Audit on Enforcement of the EU antitrust policy - Cooperation with EU National competition authorities and National Courts in DG COMP	performance audit
COMP	Audit on Enforcement of the EU antitrust policy – Audit on quality review process for DG COMP's own enforcement activities of the antitrust policy	financial/compliance audit
COMP	Audit on Financial Management of procurement contracts and grants in DG COMP	financial/compliance audit
CONNECT	Audit on H2020 Project Management in DG CONNECT	comprehensive audit
CONNECT	Audit on Procurement in DG CONNECT	financial/compliance audit
CONNECT	Audit on Ex-ante controls H2020 in DG CONNECT	comprehensive audit
DEVCO	Audit on IT Governance at DG DEVCO	performance audit
DEVCO	Audit on Management of Investment Facilities (financial instruments)	comprehensive audit
DIGIT	Audit on Management of IT security (first audit)	performance audit
DIGIT	Audit on the procurement process in DIGIT	financial/compliance audit
EACEA	Audit on HR management Strategy in EACEA	performance audit
EACEA	IAS audit on E+ and Creative Europe: audit on grant management Phase I (from the call to the signature of contracts) in EACEA	comprehensive audit
EACEA	Consulting on DG EAC's process to granting full financial autonomy to the EIT	Consulting
EASME	IAS audit on Management of the Human Resources in EASME	comprehensive audit
EASME	Audit on H2020 Project Management in EASME	comprehensive audit
ECFIN	Audit on Governance and operational organisation of the Investment Plan for Europe in DG ECFIN	comprehensive audit
ECFIN	Audit on Evaluation in DG ECFIN	performance audit
ECHO	IAS Audit on DG ECHO's Grants Management in response to the Syrian Crisis in the Middle East (HQ and Field Offices)	performance audit
EMPL	Audit on monitoring the implementation and performance of FEAD Ops in DG EMPL	comprehensive audit
EMPL	Audit on policy and funding for Youth Employment in DG EMPL	comprehensive audit
ENER	Audit on Security of IT applications supporting nuclear accountancy and inspection processes in DG ENER	performance audit
ENV	Audit in LIFE + phasing out in DG ENV	financial/compliance audit
ENV	Audit on monitoring and enforcement of EU environmental law in DG ENV	comprehensive audit
ERCEA	Audit on Closure of FP7 projects (including implementation of ex-post audits) in ERCEA	comprehensive audit
ERCEA	Audit on Project Management H2020 in ERCEA	comprehensive audit
ESTAT	IAS audit on the production process and the quality of statistics "not produced by DG ESTAT"	performance audit
ESTAT	Audit on Financial management of grants in ESTAT	financial/compliance audit
FISMA	Audit on financial management of procurement and grants in DG FISMA	financial/compliance audit
FPI	Audit on Partnership Instrument in FPI	comprehensive audit
GROW	IAS review of the calculation and the underlying methodology of the residual error rates for the 2016 reporting year in DG GROWTH	limited review
GROW	Supervision of the implementation of Copernicus in DG GROW	comprehensive audit
GROW	Performance audit on the preparation of the COSME work programmes by DG GROWTH and the supervision of the implementation of COSME by EASME	comprehensive audit

<b>GROW</b>	Audit on Supervision of project management and payment for Galileo in DG GROW	financial/compliance audit
<b>HR</b>	Audit on IT programme and project management in the HR family	performance audit
<b>HR</b>	Audit on charge-back of services in DG HR	comprehensive audit
<b>INEA</b>	Audit on HR management Strategy in INEA	performance audit
<b>INEA</b>	IAS audit of grant management – Phase 2: Project Management and payments for CEF in INEA	comprehensive audit
<b>JRC</b>	IAS review on HR management - recruitment of scientists in JRC	performance audit
<b>JRC</b>	IAS Audit on Scientific Project Management	performance audit
<b>JRC</b>	Audit on Nuclear Decommissioning and Waste Management Programme (NDWMP) implementation in DG JRC	comprehensive audit
<b>MARE</b>	Audit on closure of the 2007-2013 EFF OPs in DG MARE	comprehensive audit
<b>MOVE</b>	IAS audit on the effectiveness of the setup and supervision of Shift2Rail JU by DG MOVE	performance audit
<b>MULTI-DGs</b>	Audit on Corporate IT governance framework and portfolio management	performance audit
<b>MULTI-DGs</b>	Audit Business Continuity	performance audit
<b>MULTI-DGs</b>	Audit on HR management /staff allocation in DGs HOME and JUST	comprehensive audit
<b>MULTI-DGs</b>	Audit on amendments of 2014-2020 OPs in DGs REGIO, EMPL and MARE	comprehensive audit
<b>MULTI-DGs</b>	Audit on risk management on DGs HOME and JUST	comprehensive audit
<b>MULTI-DGs</b>	Audit on evaluation process in DGs REGIO and EMPL	comprehensive audit
<b>MULTI-DGs</b>	Review of the annual assurance packages by DGs REGIO, EMPL and MARE	comprehensive audit
<b>MULTI-DGs</b>	Audit on Commission's framework/arrangements for the Estimation, Assessment and Reporting on the Cost-effectiveness of Controls	comprehensive audit
<b>MULTI-DGs</b>	Recovery orders – Phase I	comprehensive audit
<b>MULTI-DGs</b>	State of play regarding the 'Synergies and efficiencies review'	comprehensive audit
<b>MULTI-DGs</b>	Audit on governance/oversight arrangements concerning risk management, financial reporting, and the ex-post verification/audit function	comprehensive audit
<b>MULTI-DGs</b>	Limited review on the reporting on the corrective capacity	limited review
<b>MULTI-DGs</b>	Management letter on Selection of Contractual Agents	ML
<b>MULTI-DGs</b>	Management letter on HR management <sup>59</sup>	ML
<b>MULTI-DGs</b>	Audit on EC supervision of the implementation of CEF Financial Instruments	comprehensive audit
<b>MULTI-DGs</b>	Audit on EC-EEAS coordination	performance audit
<b>NEAR</b>	Audit on Procurement under IPA (direct management and IMBC) – Phase II	comprehensive audit
<b>NEAR</b>	Audit on Neighbourhood Investment Facility & Western Balkans Investment Facility in DG NEAR	comprehensive audit
<b>NEAR</b>	Limited review of grant & procurement procedures in EUD Armenia	limited review
<b>OLAF</b>	Audit on IT Logical security controls in OLAF	performance audit
<b>OLAF</b>	Audit on Ethics in DG OLAF	performance audit
<b>OP</b>	Audit of the Procurement process in OP	financial/compliance audit
<b>PMO</b>	Audit on Control strategy in PMO	comprehensive audit
<b>PMO</b>	Consulting engagement on accounting for JSIS direct billing in PMO	Consulting
<b>REA</b>	Audit on closure of FP7 projects (including implementation of ex-post audits) in REA	comprehensive audit
<b>REA</b>	Audit on Project Management H2020 in REA	comprehensive audit
<b>REGIO</b>	Audit on IT Project management in DG REGIO	performance audit
<b>REGIO</b>	Audit on Major Projects in DG REGIO	comprehensive audit
<b>RTD</b>	Audit on IT Security management in DG RTD	performance audit
<b>RTD</b>	Audit on H2020 Ex-ante controls on payments in DG RTD	comprehensive audit
<b>RTD</b>	Audit on HR Management in DG RTD	performance audit
<b>SANTE</b>	Audit on DG SANTE's food safety crisis preparedness	performance audit
<b>SANTE</b>	Audit on TRACES in DG SANTE	performance audit
<b>SANTE</b>	Audit on monitoring and enforcement of EU health law in DG SANTE	comprehensive audit
<b>SG</b>	Consulting engagement on the workflows for parliamentary questions	Consulting
<b>SRSS</b>	Audit on the financial management of the SRSS	financial/compliance audit
<b>TAXUD</b>	Audit on Supervision of outsourced IT operations in DG TAXUD	performance audit

<sup>59</sup> One management letter was postponed to 2018 (see section 1.1.4).

<b>TAXUD</b>	Audit on IT Security in DG TAXUD	performance audit
<b>TAXUD</b>	How is TAXUD managing the related legislative initiatives under the Better Regulation Package?	performance audit
<b>TRADE</b>	Audit on internal processes supporting trade policy negotiations	performance audit
<b>NEAR</b>	Audit on preparedness for the mid-term review of ENI and IPA regulations in DG NEAR	performance audit
<b>GROW</b>	Audit on Reliability and accuracy of the information published about the Internal Market in DG GROW	comprehensive audit
<b>BUDG</b>	Follow-up of the IAS audit on Charge-back in DG BUDG	follow-up
<b>CHAFEA</b>	Follow-up audit on the management of grants under 2014-2020 consumer and health programmes in CHAFEA	follow-up
<b>CLIMA</b>	Follow-up audit on public procurement in DG CLIMA	follow-up
<b>COMM</b>	Follow-up audit on the Procurement Process in DG COMM	follow-up
<b>COMP</b>	Follow-up audit on management of local IT in DG COMP	follow-up
<b>COMP</b>	Follow-up audit on knowledge management in DG COMP	follow-up
<b>CONNECT</b>	Follow-up audit on open recommendations of DG CONNECT	follow-up
<b>CONNECT</b>	Follow-up on audit on Human Resources Management	follow-up
<b>CONNECT</b>	Follow-up on audit on Closure of Projects of Legacy Programmes	follow-up
<b>DEVCO</b>	IAS Follow-up of the Audit on Management of the African Peace Facility in DG DEVCO	follow-up
<b>DEVCO</b>	Follow-up audit of ex-IAC recommendation in DG DEVCO	follow-up
<b>DEVCO</b>	Follow-up on IAS audit on Contributions Agreements with UN Bodies and other International Organisations	follow-up
<b>DGT</b>	Follow-up audit on Procurement process in DGT	follow-up
<b>DIGIT</b>	2nd Follow-up audit on Management of European Commission Authentication Service – ECAS in DIGIT	follow-up
<b>EACEA</b>	Follow-ups on open recommendations in DG EAC	follow-up
<b>EACEA</b>	Follow-up of IAS audit on ERASMUS + Control Strategy in EACEA and National Agencies	follow-up
<b>EASME</b>	Follow-up audit on preparedness of the management and control system for SME Instrument in EASME	follow-up
<b>EASME</b>	Follow-up audit on effectiveness of the management of the COSME Programme by EASME	follow-up
<b>EASME</b>	Follow-up audit on the management and control systems for the implementation of LIFE 2014-2020 in EASME	follow-up
<b>ECFIN</b>	Follow-up Audit in ECFIN on the risk management and planning process in the new economic governance context	follow-up
<b>ECFIN</b>	2nd Follow-up audit of IAC recommendations in DG ECFIN	follow-up
<b>ECFIN</b>	3rd Follow-up Audit on HR Management in response to the financial crisis in DG ECFIN	follow-up
<b>ECHO</b>	Follow-up audit of ex-IAC recommendation in DG ECHO	follow-up
<b>ECHO</b>	Follow-up on IAS audit of Financial Management Humanitarian Aid	follow-up
<b>EMPL</b>	Follow-up on Closure of the 2000-2006 ESF programming period in DG EMPL	follow-up
<b>EMPL</b>	Follow-up on EMPL closure of the 2000-2006 ESF programming period	follow-up
<b>ENER</b>	Follow-up of the audit on the Supervision of the Implementation of CEF in DG ENER	follow-up
<b>ENER</b>	Follow-up of the audit on the Governance and Supervision of the Nuclear Decommissioning Assistance Programme in DG ENER	follow-up
<b>ENER</b>	Follow-up of the audit on the management and Functioning of Euratom Safeguards in DG ENER	follow-up
<b>ENER</b>	Follow-up of the audit on the Supervision of ITER in DG ENER	follow-up
<b>EPSC</b>	Follow-up audit on the Financial Management in EPSC	follow-up
<b>EPSO</b>	Follow-up audit on the Procurement Process in EPSO	follow-up
<b>ERCEA</b>	Follow-up audit on H2020 grant management	follow-up
<b>ESTAT</b>	Follow-up audit of IAC recommendations in DG ESTAT	follow-up
<b>FISMA</b>	3rd Follow-up audit on effectiveness of HR management to support the financial crisis in DG FISMA	follow-up
<b>FPI</b>	Follow-up on the IAS audit on Control Strategy in FPI	follow-up
<b>GROW</b>	Follow-up audits on open recommendations of DG GROW	follow-up

<b>HOME</b>	Follow-up on HOME preparedness for the 2014-2020 legislation on Shared Management (ISF and AMIF)	follow-up
<b>INEA</b>	Follow-up of the IAS audit on the Preparedness of the Management and Control System for Connecting Europe Facility and Horizon 2020 in INEA	follow-up
<b>JRC</b>	Follow-up audit of ex-IAC recommendation in JRC	follow-up
<b>JRC</b>	IAS Follow-up on IAS Audit on Strategic Planning and Programming/Activity Based Management (SPP/ABM)	follow-up
<b>MOVE</b>	Follow-up of the audit on the Monitoring of the Aviation and Maritime Security Policies in DG MOVE	follow-up
<b>MOVE</b>	Follow-up of the audit on the Supervision of the Implementation of CEF in DG MOVE	follow-up
<b>MOVE</b>	Follow-up of the audit on the Setting of Objectives and Measurement of Performance in DG MOVE	follow-up
<b>MULTI-DGs</b>	Follow-up of IAS audit on Management of the security of EU ETS IT system in DG CLIMA and DIGIT	follow-up
<b>MULTI-DGs</b>	Follow-up of IAC Recommendations	follow-up
<b>MULTI-DGs</b>	IAS.B1 Follow-ups in 2017	follow-up
<b>MULTI-DGs</b>	IAS.B2 Follow-ups in 2017	follow-up
<b>MULTI-DGs</b>	Follow-up on GAP analysis phase II in DG REGIO and DG EMPL	follow-up
<b>MULTI-DGs</b>	Follow-up on REGIO/EMPL monitoring the implementation of unfulfilled actions plans of ExAC	follow-up
<b>MULTI-DGs</b>	IAS.B3 Follow-up audits in DGs REGIO, EMPL, MARE, HOME and JUST - 2017	follow-up
<b>MULTI-DGs</b>	IAS.B3 Follow-ups in 2017	follow-up
<b>MULTI-DGs</b>	IAS Follow-up audit on Outsourced IT Contracts	follow-up
<b>MULTI-DGs</b>	IAS Follow-up audit on Audit on Manangement Plan and Objectives settings	follow-up
<b>MULTI-DGs</b>	Follow-up audit on the management of intra-muros contractors (COMM and HR)	follow-up
<b>MULTI-DGs</b>	IAS Follow-up audit on management of absenteeism	follow-up
<b>MULTI-DGs</b>	IAS Follow-up audit on Better Regulation	follow-up
<b>MULTI-DGs</b>	IAS.B4 Follow-ups in 2017	follow-up
<b>MULTI-DGs</b>	Follow-up audit on the Participant Guarantee Fund for FP7 and H2020	follow-up
<b>MULTI-DGs</b>	IAS.C1 Follow-ups in 2017	follow-up
<b>MULTI-DGs</b>	IAS.C2 Follow-ups in 2017	follow-up
<b>MULTI-DGs</b>	IAS.C3 Follow-ups in 2017	follow-up
<b>MULTI-DGs</b>	IAS Follow-up on IAS Audit on Audit on Design and Implementation of EU Trust Funds	follow-up
<b>MULTI-DGs</b>	IAS.C4 Follow-ups in 2017	follow-up
<b>NEAR</b>	IAS follow-up of the Limited Review of RER in DG NEAR	follow-up
<b>NEAR</b>	Follow-up audit on ex-IAC recommendations	follow-up
<b>NEAR</b>	Follow-up on IAS Audit Control strategy in DG NEAR	follow-up
<b>NEAR</b>	Follow-up on IAS audit on Risk Management in DG NEAR	follow-up
<b>OIB</b>	Follow-up of IAC recommendations in OIB	follow-up
<b>OIB</b>	2nd Follow-up audit on Efficiency of Financial Circuits in OIB	follow-up
<b>OIL</b>	Follow-up of IAC recommendations in OIL	follow-up
<b>OLAF</b>	IAS Follow-up audit of the Financial Management of Procurement and Grants in OLAF	follow-up
<b>OP</b>	Follow-up of audit on Business Continuity Management at OP	follow-up
<b>PMO</b>	Follow-up of IAC recommendations in PMO	follow-up
<b>PMO</b>	Follow-up audit on Supervisory Committee of OLAF	follow-up
<b>REA</b>	Follow-up on the Limited Review of the calculation and the underlying methodology of the residual error rate for the 2017 reporting year in the REA	follow-up
<b>REA</b>	Follow-up on H2020 Grant management in REA: a) preparation of the calls to the signature of the grant agreements; b) administrative logistical support provided for H2020	follow-up
<b>REGIO</b>	Follow-up on Preparation for use of Financial Instruments in DG REGIO	follow-up
<b>REGIO</b>	Follow-up on Closure of the 2000-2006 ERDF programing period in DG REGIO	follow-up
<b>REGIO</b>	Follow-up of IAC recommendations in DG REGIO	follow-up
<b>RTD</b>	Follow-up on IAS audit on the procurement in DG RTD	follow-up
<b>RTD</b>	Follow-up on IAS audit on the set up of the CSC	follow-up

<b>RTD</b>	Follow-up on IAS audit on H2020 grant management in DG RTD	follow-up
<b>TAXUD</b>	Follow-up audit of ex-IAC recommendations in DG TAXUD	follow-up
<b>TAXUD</b>	Follow-up of IAS audit on Performance measurement system in DG TAXUD Customs activities	follow-up
<b>TRADE</b>	Follow-up of IAS audit on "Are the European Trade Defence Instruments (TDIs) managed effectively and efficiently to defend the European Union against trade distortions?"	follow-up

## Engagements in the decentralised EU Agencies and other autonomous bodies finalised in 2017

Entity	Topic	Type
<b>ACER</b>	Human Resources Management	Comprehensive Audit
<b>CDT</b>	Strategic Risk Assessment incl. IT	Risk Assessment
<b>CEDEFOP</b>	Review of the efficiency gain review in the CEDEFOP legal service	Consulting
<b>CEDEFOP</b>	Cedefop Web-Based Services	Comprehensive Audit
<b>EASA</b>	European Aviation Safety Plan (Carry-Over 2016)	Performance Audit
<b>EBA</b>	Supervisory Convergence – Colleges & Training in EBA (Carry-Over 2016)	Comprehensive Audit
<b>ECDC</b>	Strategic Risk Assessment incl. IT	Risk Assessment
<b>ECHA</b>	Strategic Risk Assessment incl. IT	Risk Assessment
<b>EEA</b>	Strategic Risk Assessment incl. IT	Risk Assessment
<b>EEA</b>	Follow-Up of Past Recommendations	Follow-Up
<b>EFCA</b>	IT Governance and Project Management in EFCA	Comprehensive Audit
<b>EFSA</b>	Evaluation of Regulated Products: "Assessment" Phase in Pesticides Authorisation (Carry-Over 2016)	Perf. Audit
<b>EFSA</b>	Strategic Risk Assessment incl. IT	Risk Assessment
<b>EIOPA</b>	Strategic Risk Assessment incl. IT (Carry-Over 2016)	Risk Assessment
<b>EMA</b>	Implementation of the New Pharmacovigilance Fees Regulation	Comprehensive Audit
<b>EMSA</b>	Human Resources Management	Comprehensive Audit
<b>ENISA</b>	Strategic Risk Assessment incl. IT (Carry-Over 2016)	Risk Assessment
<b>ERA</b>	HR & Competency Management	Comprehensive Audit
<b>ESMA</b>	Peer Review of NCAs	Comprehensive Audit
<b>ETF</b>	Progress Monitoring in VET through the Torino Process	Comprehensive Audit
<b>GSA</b>	Follow-Up of Past Recommendations (Carry-Over 2016)	Follow-Up
<b>GSA</b>	Strategic Risk Assessment incl. IT	Risk Assessment
<b>CEPOL</b>	Needs Assessment, Planning & Budgeting (Carry-Over 2016)	Performance Audit
<b>CleanSky JU</b>	Performance Management in CleanSky	Performance Audit
<b>EASO</b>	NEW - Fact Finding Mission	FFM
<b>ECSEL</b>	Performance Management in ECSEL	Performance Audit
<b>EDPS</b>	Establishment and Issuance of Opinions and Formal Comments in EDPS (Carry-Over 2016)	Performance Audit
<b>EDPS</b>	Strategic Risk Assessment incl. IT	Risk Assessment
<b>EDPS</b>	Follow-Up of Past Recommendations	Follow-Up
<b>EEAS</b>	ICT Governance (Limited Review)	IT Audit
<b>EIGE</b>	Stakeholders' Relations Management and External Communication	Comprehensive Audit
<b>EIT</b>	Monitoring of Grants Agreements (Carry-Over 2016)	Comprehensive Audit
<b>EMCDDA</b>	Management of Data Collection, Validation & Quality Assurance	Performance Audit
<b>EU-LISA</b>	Control over the Procurement Process	Performance Audit
<b>EUROPOL</b>	Procurement (Carry-Over 2016)	Comprehensive Audit
<b>EUROPOL</b>	Strategic Risk Assessment incl. IT	Risk Assessment
<b>EU-SCHOOLS</b>	SAP Controls over Accounting and Budget Execution (Carry-Over 2016)	Compliance / Financial Audit
<b>EU-SCHOOLS</b>	In-depth Follow-Up of Outstanding Recommendations	Follow-Up

<b>F4E</b>	Document Management & Information Security (Carry-Over 2016)	Comprehensive Audit
<b>F4E</b>	Delegations & Efficiency of Decision-Making	Consulting
<b>F4E</b>	Follow-Up of Past Recommendations	Follow-Up
<b>FCH</b>	CSC Coordination	Performance Audit
<b>FRA</b>	Fact Finding Mission - NEW	Comprehensive Audit
<b>FRA</b>	Governance & Ethics	Comprehensive Audit
<b>FRONTEX</b>	Strategic Risk Assessment incl. IT	Risk Assessment
<b>IMI</b>	H2020 Grant Process (Carry-Over 2016)	Performance Audit
<b>SESAR</b>	H2020 Grant Process (Carry-Over 2016)	Performance Audit
<b>SHIFT2RAIL JU</b>	Strategic Risk Assessment incl. IT	Risk Assessment

**Result indicator 3.2 (efficiency):**

**Percentage of time spent on direct audit work and audit support work by auditors**

Source: Regular IAS internal monitoring.

<b>Baseline (31/12/2015)</b>	<b>Target 2016-2020</b>	<b>Latest known results</b>
<u>Commission</u> : 87%	Annual target: 86%	<b>(situation on 31/12/2017)</b>
<u>EU bodies</u> : 86%		2015: Commission: 87%; EU bodies: 86%
		2016: Commission: 86%; EU bodies: 87%
		2017: Commission: 86%; EU bodies: 84%

**State of play at 31 January 2018**

- Commission: 86%, target was met
- EU autonomous bodies: 84%, which is slightly below the target of 86%. The planned capacity for time spent on direct audit work and audit support work by auditors was lower than 86% over the year but auditors managed to spend 84% in 2017 which was exactly the planned capacity.

**Output indicator 3.3 (efficiency):**

**Timeliness of the completion and the delivery of audit reports**

**(time elapsed in working days between the findings validation meeting and the final report)**

Source: Regular IAS internal monitoring.

<b>Baseline (31/12/2015)</b>	<b>Target 2016-2020<sup>60</sup></b>	<b>Latest known results</b>
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60 Following the centralisation of the internal audit function on 1 January 2015, the IAS was re-organised leading to new working practices, in particular for the quality review of audit deliverables. The new target now reflects the additional time spent on this specific task.

<u>Commission:</u> 35 days for engagements with one auditee 40 days for engagements with multiple auditees <u>EU Bodies:</u> 32 days	Annual target: 30 days for engagements with one auditee 35 days for engagements with multiple auditees	<u>(situation on 31/12/2017)</u> <u>2014:</u> Commission: 36 (single and multiple combined) EU bodies: 26 <u>2015:</u> Commission: 35 / 40 EU bodies: 32 <u>2016:</u> Commission: 38 / 33 EU bodies: 37 <u>2017:</u> Commission: 35.53 days for engagements with one auditee 40.56 days for engagements with multiple auditees EU Bodies: 32 days
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**State of play at 31 January 2018**

- Commission: For the engagements with single DG, 35.53 days elapsed between the validation meeting and the final report, not reaching the target of 30 days. For the engagements with multiple DGs over 40.56 days not reaching the target of 35 days. This is notably due to a combination of various factors, including (i) the complexity and sensitivity of the issues raised, (ii) the non-availability of the auditees, or (iii) the validation put on hold due to other more pressing commitments or (iv) in-depth exchanges with auditees, in certain cases, on the findings and proposed recommendations, coupled with delays in receiving auditees' comments on draft reports.
- EU autonomous bodies: 32 days elapsed on average between the validation meeting and the final report, not reaching the target of 30 days, which is nevertheless better than the past year (37 days). The analysis of the individual cases shows that for complex reports an extensive exchange with the auditee was needed after the validation meeting in order to arrive to a common understanding which is necessary for the successful implementation of the audit recommendations.

**Output indicator 3.4 (efficiency):**

**Difference between actual time and budgeted time for each audit engagement.**

Source: Regular IAS internal monitoring.

<b>Baseline (31/12/2015)</b>	<b>Target 2016-2020</b>	<b>Latest known results (situation on 31/12/2017)</b>
<u>Commission:</u> 5% <u>EU Bodies:</u> 6%	Annual target: Actual execution within the margin of $\pm 10\%$ of budgeted number of man-days (+ indicating an overrun and – indicating an underrun)	<u>2015:</u> Commission: +5% EU Bodies: +6% <u>2016:</u> Commission: +1% EU Bodies: +6% <u>2017:</u> Commission: +10% EU Bodies: +1%

**State of play at 31 January 2018**

- Commission: 10%, within target values.
- EU autonomous bodies: +1%, within the target range.