



Annual Activity Report 2021

DG REFORM – Directorate-General for
Structural Reform Support

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THE DG IN BRIEF

The European Commission, under the presidency of Ursula von der Leyen, has committed itself to a positive agenda to help Member States recover from the socio-economic impact of the COVID-19 pandemic crisis and to boost the growth potential of their economies to the benefit of all societies. In this context effective implementation of structural reforms is vital to encourage investment, unlocking Member States' growth potential, and ultimately raising living standards.

2021 was the second year of full operation for the Directorate-General for Structural Reform Support (**DG REFORM**). With the entry into force in February 2021 of the **Technical Support Instrument (TSI)**¹ DG REFORM continues to coordinate and provide technical support on demand to Member States for their reforms, including measures for the recovery and resilience of economies, and measures linked to green and digital transitions under the Recovery and Resilience Facility (RRF)² A video link is available [here](#).

DG REFORM is also responsible for strengthening the Commission's knowledge and coordination activities with Member States in the field of **governance and public administration**.

Since 2017³, DG REFORM has been engaged in over 1200 support projects in all 27 EU Member States. The expertise necessary for each reform project may be provided either directly by the Commission through in-house expertise or by experts from EU Member States' national administrations, international organisations, private entities or individual experts from the private sector.

Finally, DG REFORM coordinates the Commission's efforts to support the process for the reunification of Cyprus led by the United Nations. In this context, it is still responsible for the implementation of the **Aid Programme**⁴ for the Turkish Cypriot community (TCc) and for monitoring the application of the Green Line Regulation.

In 2021, DG REFORM underwent a [reorganisation](#). The new structure ensures appropriate management supervision while still counting on Units' expertise by thematic area, a country-oriented perspective assured by the Country Coordinators, and on a flexible way of working, involving cross-unit projects teams.

In 2021 DG REFORM included 212 staff. Its headquarters are in Brussels; it has two decentralised offices in Nicosia (Cyprus) and Athens (Greece) and representative staff in Bucharest and Zagreb⁵.

¹ Regulation (EU) 2021/240 of the European Parliament and of the Council of 10 February 2021.

² Regulation (EU) 2021/241 of the European Parliament and of the Council of 10 February 2021.

³ In 2020 DG REFORM took over the work previously carried out by the Structural Reform Support Service (SRSS) with the Structural Reform Support Programme (SRSP 2017-2020).

⁴ Council Regulation (EC) No 389/2006 of 27 February 2006 establishing an instrument of financial support for encouraging the economic development of the Turkish Cypriot community.

⁵ Until 16 December 2021.

EXECUTIVE SUMMARY

This Annual Activity Report is a management report of the Director-General of DG REFORM to the College of Commissioners. Annual Activity Reports are the main instrument of management accountability within the Commission and constitute the basis on which the College takes political responsibility for the decisions it takes as well as for the coordinating, executive and management functions it exercises, as laid down in the Treaties⁶.

The executive summary includes the following four subsections.

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

In 2021 DG REFORM continued to support Member States' efforts to design and implement resilience-enhancing reforms; it contributed to the EU's recovery from the COVID-19 pandemic crisis, improving the quality of public services and helping to get the Member States back on the path of sustainable and inclusive growth. DG REFORM's activities contribute primarily to the achievement of the Commission's general objective, '**An economy that works for people**'.

To help Member States address their reform challenges, in 2021 DG REFORM continued to steer, coordinate and implement technical support projects through the Structural Reform Support Programme (SRSP) and provide new tailored technical support– on demand– through the **TSI** for the design and implementation of institutional and administrative reforms.

In 2021, almost all the technical support projects selected for funding under the SRSP 2020 (100%) and TSI (80%) are as a minimum on the ground. 99% of the total annual credits for commitments and 97% of the payment credits of the programmes were used (cf. annex 3). The results of the ex-post controls carried out in 2021, despite revealing still some errors and the need to recover sums from some of the grant beneficiaries audited, finally enabled DG REFORM to lift its financial reservation referring to grant direct management with non-pillar assessed entities, since this is no longer substantial within the meaning of the '*de-minimis rule*' (cf. part 2).

DG REFORM continued to build on its unique position and expertise so far developed, and ensured that the TSI continues delivering high-quality support to address Member States' demands to settle long-standing bottlenecks and undertake key reforms for their economic, social and territorial resilience. The results of the annual round of technical support requests (TSI 2022) is promising with 176 projects to satisfy 225 Member States' requests (cf. specific objective 1.3).

The TSI is an important pillar of the Recovery Plan for Europe, the EU's initiative to help Member States mitigate the economic and social consequences of the COVID-19 pandemic

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

crisis. The TSI directly supports Member States for the implementation of their Recovery and Resilience Plans (RRPs). DG REFORM organised a call in 2021 specifically dedicated to this purpose.

Beyond the RRP, DG REFORM continued supporting Member States in the implementation of key EU priorities such as the green and digital transitions. In addition to the traditional technical support under the TSI, some Member States have asked for further support through the transfer of national funds. (cf. specific objective 1.2).

The high satisfaction feedback provided by Member States' coordinating authorities is a recognition of DG REFORM's work, which motivates to do more and even better.

2021 also demonstrated the importance of public administrations, notably in times of crisis. DG REFORM work related to the improvement, steering and coordination of knowledge on public administration and governance (PAG) further progressed throughout the year, bringing tangible deliverables. This includes the adoption of a Commission's staff working document on the role of public administrations in delivering reforms and the organisation of a major conference gathering almost 1000 participants. The Commission's decision to create the PAG expert group fulfils the objective to explore common challenges for public administrations in Member States and innovative approaches to address them (cf. specific objective 1.4).

DG REFORM support to the Cyprus settlement achieved some long-awaited results contributing to build mutual trust between the two communities. Achievements include the registration of Halloumi/Hellim cheese as a protected designation of origin product, and the transition of the TV broadcasting systems from the 700 MHz frequency band to 5G mobile services across the island. The implementation of the Aid Programme budget progressed with 97% of the annual credits committed and almost 100% of the credits for payments used (cf. annex 3). Particularly in the current political situation, all these achievements, coupled with the implementation of support projects, give further motivation and meaning to the EC settlement support for a long lasting solution to the Cyprus issue (cf. specific objective 1.5).

Last, but not least, in 2021 DG REFORM managed to develop a robust set of communication initiatives, such as the organisation of a high-level conference for the launch of the TSI 2022 call and the setting up of a new Reform Support website. For the first time DG REFORM also involved the Portuguese, Slovenian and French presidencies in its main annual events, demonstrating the relevance of DG REFORM activities for the European political agenda (cf. specific objective 1.1).

Finally, in the context of the COVID-19 pandemic, DG REFORM continued to work almost exclusively in a remote environment. Despite this difficult situation, the DG managed to improve further its working methods, mapped processes for further simplification and enhanced synergies across the service. This enabled the DG to deliver on its specific objectives and (financial) operations also in the most efficient way (cf. part 2.1.1) and to strengthen its contribution to the Commission's general objective.

B. Key Performance Indicators (KPIs)

Year 2021 - annual results and data evolution from 2020									
<p>KPI 1. (Specific objective 1.1) % of technical support projects that produced the expected outcomes</p> <p>Target: increased % ; Result: 83%</p> <p>Source of data: DG REFORM questionnaires to Member States after the projects' completion</p>	<table border="1"> <thead> <tr> <th>Year</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Year 2020</td> <td>70%</td> </tr> <tr> <td>Year 2021</td> <td>83%</td> </tr> </tbody> </table>	Year	Percentage	Year 2020	70%	Year 2021	83%		
Year	Percentage								
Year 2020	70%								
Year 2021	83%								
<p>KPI 2. (Specific objective 1.2) Number of technical support interventions for the preparation and/ or the implementation of the Member States' recovery and resilience plans (RRPs)</p> <p>Target: ≥6 ; Result: 24 –</p> <p>Source of data: DG REFORM</p>	<table border="1"> <thead> <tr> <th>Year</th> <th>Interventions</th> </tr> </thead> <tbody> <tr> <td>2021</td> <td>128</td> </tr> <tr> <td>2020</td> <td>6</td> </tr> </tbody> </table>	Year	Interventions	2021	128	2020	6		
Year	Interventions								
2021	128								
2020	6								
<p>KPI 3. (Specific objective 1.5) Number of scholarship grants awarded in the year for studying in an EU Member State (referring to the Aid Programme)</p> <p>Target: Minimum 120; Result: 136</p> <p>Source of data: DG REFORM monitoring tool</p>	<table border="1"> <thead> <tr> <th>Category</th> <th>Value</th> </tr> </thead> <tbody> <tr> <td>Reached in 2021</td> <td>136</td> </tr> <tr> <td>Reached in 2020</td> <td>138</td> </tr> <tr> <td>Target</td> <td>120</td> </tr> </tbody> </table>	Category	Value	Reached in 2021	136	Reached in 2020	138	Target	120
Category	Value								
Reached in 2021	136								
Reached in 2020	138								
Target	120								
<p>KPI 4. Residual error rate (RER),</p> <p>Target: <2% of relevant expenditure; Result: 0.63%.</p> <p>Source of data: DG REFORM monitoring results.</p>	<p>0.63% (overall amount at risk at closure of the relevant expenditure)</p> <table border="1"> <thead> <tr> <th>Year</th> <th>RER</th> </tr> </thead> <tbody> <tr> <td>2020</td> <td>0.58%</td> </tr> <tr> <td>2021</td> <td>0.63%</td> </tr> <tr> <td>Target</td> <td>2.00%</td> </tr> </tbody> </table>	Year	RER	2020	0.58%	2021	0.63%	Target	2.00%
Year	RER								
2020	0.58%								
2021	0.63%								
Target	2.00%								

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

In line with the Commission's Internal Control Framework DG REFORM has assessed its internal control system during the reporting year and has concluded that it is effective and the components and principles are present and functioning well overall, but some improvements are needed. Please refer to AAR section 2.1.3 for further details.

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

In conclusion, management has reasonable assurance that, overall, suitable controls are in place and working as intended; risks are being appropriately monitored and mitigated. Some further improvement/acceleration of activities is needed in the following main domains where remedial actions have already started: continuing mandatory training on ethics and integrity requirements for all staff; the finalisation of the DG's IT/communication strategies/plans; completion of the SRSP ex-post evaluation, and lastly, the reduction of the persistent encoding errors in the main IT tool used by the DG for reporting on technical support projects.

The Director-General, in his capacity as Authorising Officer by Delegation, has signed the Declaration of Assurance.

D. Provision of information to the Commissioner

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

1. KEY RESULTS and progress towards achieving the Commission's general objectives and DG's specific objectives

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

DG REFORM's technical support projects aim to make a significant contribution to Member States' national authorities in their efforts to make reforms. Each reform project may be provided either directly by the Commission staff or by experts from EU Member States' national administrations, international organisations, private entities or individual experts from the private sector. The technical support provided by DG REFORM in 2021 included: expert and fact-finding reviews; diagnostic analyses and provision of recommendations on how to address problematic issues in Member States, sharing of best practices through (online) seminars, conferences and workshops, and development and implementation of targeted solutions for Member States.

Notwithstanding the provision of the Commission's support, it must be noted that the overall ownership and responsibility for the policies and reforms developed and implemented remain with the Member States themselves.

In 2021 DG REFORM continued to implement the technical support under the SRSP and started the implementation of the 2021 work programme linked to the newly established TSI. The TSI has an increased budgetary envelope (EUR 864 million) spanning over the period of the multiannual financial framework (MFF 2021-2027).

Despite the persistent challenges of the COVID-19 pandemic, which, to some extent, continued to impact the Member States/providers ability to follow up on the implementation of some technical support projects as originally conceived, DG REFORM managed to reach the targets of technical support projects planned under the relevant work programmes (cf. Annex 2- outputs under the specific objective 1.1).

DG REFORM continued to strengthen its **collaboration with international organisations**, such as OECD, EBRD and the Council of Europe by signing 'umbrella agreements' which capture several technical support projects for implementation (cf. 2.1.1 – indirect management).

TAIEX⁷ (Technical Assistance and Information Exchange instrument) was also available for implementing technical support projects. 59 TAIEX technical support activities were organised in 2021. These included 23 expert missions, 20 workshops, 9 study visits and 7 "work from home" activities. A new hybrid arrangement was adopted to facilitate technical exchanges between peers from public administrations in the Member States during the

⁷ TAIEX is available for implementing SRSP projects since 2017 and TSI projects since 2021. TSI Peer 2 Peer is an instrument managed in cooperation with DG European Neighbourhood Policy and Enlargement Negotiations (DG NEAR) to facilitate peer to peer exchanges between public sector experts of Member States' administrations to build more effective institutions, stronger governance frameworks and efficient public administrations.

pandemic; this approach offered further flexibility for the organisation of events and contributed to more environmentally friendly solutions. Most of the events were organised *online* with some face-to face events resuming in September 2021.

The feedback from experts and participants on the quality of the events organised is positive overall. This confirms that TAIEX exchanges remain an efficient and effective instrument for sharing best practices among Member States' public administrations.

In 2021 DG REFORM further enhanced its **communication activities** by developing and maintaining its [Reform Support Website](#) and ensuring daily social media dissemination of TSI projects via the official DG REFORM Twitter profile ([@EU_reforms](#))⁸ and EU corporate platform Smarp. DG REFORM produced videos on technical support projects⁹ in the Member States and organised conferences to promote its activities ([2021 TSI Press Conference](#); [2021 TSI Annual Conference](#) and ['Fit for recovery and transition - Supporting Quality of Public Administration in the European Union Member States'](#), which is listed among the official events of the Conference on the Future of Europe). In 2021, DG REFORM brochures were downloaded around 350 times and the Reform Support website recorded 35 000 visits; this shows good visibility by the end of 2021, considering that this was available for only six months. Since 2021 DG REFORM also publishes on the Europa website [Projects in the spotlight \(europa.eu\)](#) which are practical examples of the achievements made in the context of its technical support provided to Member States.

Technical support for developing the operational and institutional capacity in the field of reception

DG REFORM supported the establishment a legal framework, and progressively helped build the institutional and operational capacity of the State so that today, it provides quality accommodation and essential services to thousands vulnerable asylum seekers across Greece.

This completed reform owes its success to the long-standing and excellent cooperation between the DG REFORM, DG HOME (Directorate-General for Migration and Home Affairs) and the Ministry of Migration and Asylum, the European Asylum Support Office and the Office of the United Nations High Commissioner for Refugees. A video link is available [here](#)

The following sections provide an overview of the achievements and technical support activities carried out in 2021 by policy area.

In the field of **migration**, DG REFORM helped public administrations in several Member States build their institutional and operational capacity to integrate migrants and refugees, with a view to boosting their inclusion in the labour market or helping their integration into society. In particular, it supported the Brussels' Capital Region Employment Agency in setting up a coordination platform for all actors that facilitate new incoming migrants' inclusion in the labour market. In Lithuania, Czechia and Slovakia, DG REFORM provided technical recommendations for strategies and schemes that could enhance labour mobility and the country's ability to attract

⁸ If some hyperlinks mentioned in this report do not function; please reproduce them in web browsers to access information.

⁹ [Deploying artificial intelligence at Flanders investments and trade in Belgium](#)
[Reforming the Greek reception system for Asylum Seekers](#)
[Modernising the Civil Procedure Rules in Cyprus](#)

international talent in sectors lacking adequately skilled workers.

In Greece, DG REFORM helped the Ministry of Migration and Asylum to successfully transition the accommodation network for vulnerable asylum seekers to a state-managed scheme. It also helped the Ministry's Reception and Identification Service to enhance its emergency preparedness capacity.

In the field of **public financial management**, DG REFORM continued to support Member States in improving the efficiency and effectiveness of their public expenditure policies. This was achieved mainly through support for the design, conduct and institutionalisation of spending reviews. For example, thanks to this support, the Belgian federal government integrated the use of spending reviews in its annual budget preparation process. Moreover, DG REFORM continued to support Member States to improve the quality of their national accounts and modernise their public accounting systems. This allowed, for example, Ireland, Italy and Luxembourg to take steps to design and plan a transition to an accrual-based accounting framework, in line with European Public Sector Accounting Standards. In 2021, DG REFORM continued to build the institutional and analytical capacity of independent fiscal institutions (IFIs) to enable them to carry out their mandate of independent public finance oversight more effectively. Such support enabled, for instance, the Latvian IFI to improve the quality of its independent fiscal forecasts.

Furthermore, DG REFORM supported several Member States through actions to develop fiscal risk management frameworks, upgrade macroeconomic and fiscal modelling capacities, and improve practices in subnational government finances. Finally, DG REFORM helped most Member States build capacity to use tools and methods to integrate green budgeting¹⁰ practices into national budget processes in line with the EU Green Deal.

In the field of **revenue administration**, DG REFORM continued to support Member States to boost the capacity of their tax and customs administrations. This support addressed a broad range of activities including but not limited to the administrations' core IT and business processes, taxpayer services, customs control activities, and strategic and managerial functions. This support led, for example, to Belgian customs integrating new technologies that improve customs control, while Finnish customs acquired a new tool enabling better project portfolio management and cooperation.

Moreover, support was provided to improve Member States' strategies for enhancing voluntary tax compliance, for instance introducing behavioural approaches to boost revenue collection and administrative cooperation in direct tax matters, and tackling tax fraud and evasion. This included strengthening capacity to curb aggressive tax planning structures or the design and application of anti-fraud strategies in some countries. Finally, DG REFORM provided support for assessing the socio-economic impact of alternative tax policies. Such support led, for instance, to upgraded modelling capacity to support the design of the tax, social security contributions and social benefits system in Lithuania, and to support the design of environmental tax policies in Italy.

DG REFORM supported Member States' efforts to improve their internal organisation and processes and strengthen the coordination and capacity of (local) public administrations.

¹⁰ https://ec.europa.eu/reform-support/revenue-administration-and-public-financial-management/supporting-implementation-green-budgeting-practices-among-eu-member-states_en

For example, in Bulgaria the legal framework and the working processes for certain ‘life events’ were reviewed and optimised to allow for better service delivery, their digitalisation and better management of resources.

In Greece, modernisation of civil service management was supported through the development of an action plan to implement modernised recruitment procedures for civil servants, the development of a new performance assessment framework for civil servants and the drafting of technical specifications for an IT tool for central and local authorities to best utilise the Common Assessment Framework.

In Lithuania, support was provided to STRATA, the Government Strategy Analysis Centre, to promote better evidence-based policy-making and policy evaluation. This should help reduce the administrative burden and costs, and improve public policies’ effectiveness. In Cyprus, the coordination of EU affairs was enhanced with capacity building of the newly established General Secretariat for European Affairs, under the Ministry of Foreign Affairs. The project facilitated the development of a national strategy on EU affairs and a mechanism to improve Cyprus’ input into EU processes. In Greece, Lithuania and Slovakia, DG REFORM supported local administration through analysis, peer reviews, training and specific advice on issues such as optimisation of structure and competences, participation of citizens, financing, inter-municipal cooperation and coordination with the regional and central government.

In 2021 there was a substantial increase in Member States’ demand for support in the area of **e-Government** and **digital public administration**, particularly following the impact of the COVID-19 pandemic. Examples include projects on digital-ready legislation in Austria, streamlining employment services in Hungary, strategies on ICT development for the public sector in Czechia, Spain and Romania, sustainable digitalisation of the judiciary in Finland and improving public sector data exchange in Italy.

In the area of **judicial reforms**, DG REFORM supported several Member States to strengthen their justice systems, including by mediation, and to modernise their proceedings via digitalisation. In Malta, the support provided led to the adoption in December 2021 of the Digital Justice Strategy¹¹. In Cyprus, DG REFORM concluded its multiannual support leading to the approval of the new Civil Procedure Rules by the Supreme Court of Cyprus in May 2021¹². Their implementation will contribute to a fairer and more efficient justice system, strengthening the rule of law by speeding up justice and ensuring favourable investment conditions and the sustainability of growth.

In Slovenia, DG REFORM supported the design and development of a (physical) structure, providing better support by the criminal and justice system to child victims of crime, while also assisting the authorities in the reform of the juvenile justice system and the penitentiary system. In Bulgaria, DG REFORM concluded a project on the reform of the payment order procedure and support continues for the review of the legal framework of administrative penalty proceedings.

¹¹ <https://www.gov.mt/en/Government/DOI/Press%20Releases/Pages/2021/December/03/pr212167en.aspx>

¹² <https://www.youtube.com/watch?v=Jbrwq8ajLAU>
https://ec.europa.eu/commission/presscorner/detail/en/mex_21_6681

DG REFORM supported some Member States in the area of **anti-corruption and integrity**. To this end, it facilitated the review of procedures for the selection and appraisal of judges and prosecutors and the enforcement of anti-corruption measures in education, environment and sports. Some national authorities received support to establish monitoring mechanisms for their anti-corruption national plan; to revise their rules to manage conflicts of interest; to ensure supervision of public expenditure or to demonstrate preparedness to access the OECD Anti-Bribery convention¹³.

In the area of **public procurement**, DG REFORM continued to assist Member States in streamlining public procurement rules and applying innovative methodologies, such as agile procurement for IT products in Slovakia.

DG REFORM provided support to strengthen innovation capacity and performance in several Member States. For example, in Slovakia, DG REFORM supported the development of the national Smart Specialisation Strategy, while in Lithuania technical support focussed on improving the effectiveness of innovation policy. In the area of **state assets management**, for example, Croatia received support to improve the governance of its state-owned enterprises (SOEs) by revising and aligning national legislation with the OECD Guidelines on Corporate Governance of SOEs. DG REFORM implemented projects to promote Member States' investments, for instance, by reviewing the regulatory framework in Finland to reduce barriers to foreign direct investment. These Member States have also introduced relevant measures in their respective national recovery and resilience plans following the recommendations received under DG REFORM technical support. In the area of **competitiveness and productivity**, DG REFORM provided support to Cyprus in developing strategies and action plans including institutional changes to sustain robust, sustainable and inclusive growth in the long term. DG REFORM helped the Portuguese authorities to better evaluate the potential effects of the structural reforms included in their National Reform Programme and forecast investments. These Member States also introduced relevant measures in their respective national recovery and resilience plans following the recommendations received under DG REFORM technical support.

In Greece, DG REFORM supported the improvement of the business environment and regulatory framework in seven thematic areas, covered by the World Bank Doing Business Report. National legislation incorporated several of the recommendations stemming from the project, while others are included in the national Recovery and Resilience Plan. DG REFORM provided support to the Spanish competition authority to enhance its capacity to assess the degree of compliance of its advocacy acts and develop a methodology for the ex-post evaluation of better regulation with the objective of improving the business environment

In the area of sustainable **transport and mobility**, DG REFORM supported a number of Member States in developing their national mobility systems, including through the implementation of mobility master plans and the promotion of innovative mobility

¹³ <https://www.oecd.org/corruption/oecdantibriberyconvention.htm>

solutions. In Belgium, DG REFORM supported the Brussels Capital Region in developing an efficient and resilient regulatory framework for mobility¹⁴.

DG REFORM assisted several Member States in the area of **energy**. For instance, in the area of building renovation, DG REFORM supported the setting up of a national decarbonisation fund to improve access to financing for the energy renovation of buildings. DG REFORM support led to the adoption of a national long-term renovation strategy in one Member State. In Estonia, DG REFORM supported the authorities in defining the pathway towards climate-neutral electricity production. In Slovenia, DG REFORM supported the reform of the energy legislative framework and the transposition of the 'Clean energy for all Europeans' package.

DG REFORM provided support to Member States in the area of **climate change mitigation and adaptation**, including for the preparation of long-term climate mitigation strategies, such as in Romania. The support extended to disaster risk management, such as prevention of floods and wildfires.

DG REFORM also supported Spain and Estonia in their efforts towards sustainable development and better economic opportunities, by addressing the twin challenge of depopulation and demographic changes.

In the area of **health**, DG REFORM provided support, for instance, to assess the performance of the health systems in several Member States and to support the digital transformation of healthcare systems. Support measures also aimed at improving the

Technical support for integrating genomics into healthcare (genomDE)

*DG REFORM supported the German Federal Ministry of Health in setting up a national genome initiative. Concluded in 2021, the **genomDE** project helped the authorities design a legal and ethical framework, including a concept for organisation, data infrastructure and reimbursement, as well as a communications campaign aimed at both the public and healthcare professionals.*

accessibility and quality of health and long-term care services, and at improving the efficiency of health systems through more effective clinical governance, costing and payment models. Furthermore, DG REFORM supported several health care reforms relating to national RRP. Close collaboration between DG REFORM, DG SANTE (Directorate-General for Health and Food Safety) and the Slovenian Presidency is reflected in the EPSCO Council's conclusions, which invite Member States to make use of the TSI to increase the resilience of their health systems.

DG REFORM supported Member States in reviewing the operational structure and strengthening the administrative capacity of national and regional Public Employment Services. Support was further provided to design and pilot-test innovative active labour market policies and to strengthen the in-house analytical capacity of labour market and social security administrations.

In the area of **social protection**, DG REFORM intervened, for instance, to support the assessment and reform of national pension systems and to review the provision of social services at different levels of government. Furthermore, DG REFORM supported the reform

¹⁴ https://ec.europa.eu/reform-support/developing-innovative-mobility-solutions-brussels-capital-region_en

of disability policy and assessment systems and contributed to the review of national frameworks for family support policies. DG REFORM's contribution towards building a stronger social Europe is acknowledged in a series of initiatives adopted by the European Commission in March 2021 such as, the Action Plan on the Implementation of the European Pillar of Social Rights, the Strategy on the rights of persons with disabilities, and the Council Recommendation on the European Child Guarantee.

In the field of **education and training**, DG REFORM supported Member States on reforms introducing new curricula and making education more inclusive. Member States also benefited from support for higher education strategies, the (digital) modernisation of vocational education and training, the quality and integration of non-formal education and the engagement of local communities in education policy-making.

Throughout the year, DG REFORM continued to respond to Member States' needs of support for reforms in the **financial sector**: banking, insurance and pensions, and capital markets. DG REFORM technical support covers several horizontal policy areas, of which the most important ones include: insolvency and debt restructuring, anti-money laundering, sustainable finance, supervision, financial literacy, digitalisation and access to finance.

A key example of an effective DG REFORM technical support project in this area is the national strategy for financial literacy, which is linked to a European Commission priority, in particular in the context of the Capital Markets Union and to the Sustainable Development Goals. This project aimed to adopt and implement a national strategy to tackle the low rates of financial literacy in Austria.

Evolving lifestyle, consumer behaviour, financial markets sophistication, innovation in financial services and even the COVID-19 pandemic crisis make financial literacy increasingly important because low levels have negative consequences for both individuals (irrational consumer behaviour, over-indebtedness, negative impact on investing and saving for retirement) and the entire society and economy.

Funded by the European Commission through the TSI, this project was implemented with the support of the OECD, which has substantial experience in financial literacy. In 16 months, the current financial literacy activities in Austria were analysed through a specific mapping and an assessment against international good practices; a written consultation with the relevant stakeholders, desk research and a workshop. Then, a high-level document and a roadmap with a proposed methodology and activities were designed, so that the national strategy could be launched. This national financial literacy strategy will increase financial literacy (i.e. financial awareness, knowledge, skills, attitudes, behaviours) in Austria. This will allow citizens and SMEs to take more informed decisions on purchasing financial products and services and to make sustainable financial choices.

In this same thematic area, DG REFORM also supported a project in Italy to empower people when managing personal finances. The project delivered a wide range of innovative and interactive digital 'edutainment' and 'infotainment' products ([Web TV series](#)) and approaches to foster curiosity and make fundamental financial concepts more accessible for citizens who are not necessarily knowledgeable on these topics, allowing them to make better financial decisions. This initiative was covered in the national press, included in the national website dedicated to financial education, and it is therefore available to a large audience (link to the Video Corriere.it).

DG REFORM performs **evaluations** at project and programme level. A feedback mechanism is performed on individual technical support projects with a two-steps approach: at project closure to assess the satisfaction level of the main stakeholders involved in the design and implementation of the project, and 6, 12, or 18 months, after project closure, to assess the achievement level of expected outcomes. In 2021, DG REFORM continued this approach through full-automated consultations and, compared to 2020, improved results in respect of the technical support projects assessed by the Member States as having produced the expected results (cf. KPI No 1).

The SRSP ex-post evaluation¹⁵ was postponed by 1 year to increase the number of closed projects to be reviewed.

Meanwhile, in 2021 the European Court of Auditors (ECA) carried out a performance audit in several Commission's departments and agencies on **how effectively the Commission manages external consultancy services to ensure it gets value for money**. DG REFORM participated in this audit by clarifying that the external consultancies it procures – as provided for in the TSI regulation – are intended for technical support to Member States. The final audit report is planned for the second quarter of 2022.

In 2021 the Internal Audit Service (IAS) concluded a performance **audit on processes put in place by DG REFORM for the delivery of technical support to Member States**.

While DG REFORM has overall designed adequate processes and controls for delivering technical support to the Member States, the IAS recommended to further improve DG REFORM IT capacities for monitoring the implementation of projects (very important recommendation), as well as to clarify further the (i) project output indicators and (ii) reporting on timeliness of the implementation of technical support projects.

In particular, DG REFORM should finalise the e-manual of procedures and the revised JIRA workflows and provide a common IT solution for monitoring project implementation. DG REFORM should also persist in its efforts to improve the completeness and reliability of project data encoded in JIRA and put in place a robust tool for performing effective plagiarism checks on project deliverables. (cf. 2.1.2 Audit observations and recommendations and annex 7.5)

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

In 2021, DG REFORM substantially stepped up its support for the preparation and implementation of Member States' RRP under the Recovery and Resilience Facility.

Following the Commission's endorsement of 22 RRP in 2021, DG REFORM estimated that around 60% of the projects selected in the first round of the TSI have been contributing to either to the preparation or implementation of the RRP. In particular, 120 projects related

¹⁵ The SRSP Regulation (art. 16) established that 'the Commission shall also provide the European Parliament and the Council with an independent mid-term evaluation report by mid-2019 at the latest and an independent ex post evaluation report by 31 December 2021'.

to the implementation of thematic reforms and in investments in the RRP, while 11 additional projects concerned general support for the overall preparation or implementation of the RRP funded under programme or through the transfer of national funds.

DG REFORM has provided general support for the preparation of the RRP to Croatia, Cyprus, Czech Republic, Greece, Slovenia and Slovakia. The technical support provided depended on the specific request and needs of each Member State, and it took the form of: (i) administrative capacity building actions aimed for example at defining methodologies (e.g. for costing), (ii) harmonising the 'Do No Significant Harm' assessment, or (iii) coordinating stakeholders' input into the drafting of the RRP.

In addition, between May and June 2021, DG REFORM organised an additional **dedicated call within the TSI 2021** for the implementation of the RRP. The objective of the dedicated call was to (i) provide general support to Member States in the implementation of their national Recovery and Resilience Plans (RRPs) under the RRF and/or for the implementation of their (ii) green, (iii) digital and (iv) public administration measures.

DG REFORM selected 25 projects. Through this dedicated call, DG REFORM notably scaled up general support for the overall implementation of the RRP, with 13 projects targeting a number of areas. These include: (i) monitoring and project management, (ii) reporting mechanisms, (iii) audit and control, (iv) overall governance structure for the RRP implementation, (v) data management, (vi) IT aspects or (vii) the application of the "Do No Significant Harm" (DNSH) principle. As such, the number of Member States benefitting from general technical support for the preparation or implementation of the RRP rose to 17. The remaining 12 projects selected through the dedicated call concerned capacity building support for green, digital and public administration RRP measures (e.g. support for the execution of a national artificial intelligence strategy, a coherent policy development for high-quality and sustainable living environment, measures to support the efficiency of the public procurement system, etc.).

Furthermore, in 2021, Cyprus, Greece, Croatia, and Romania decided to embed in their RRP additional technical support for the implementation of reforms or investments linked to their RRP, using Article 7 of the TSI Regulation in combination with Article 7(2) of the RRF Regulation.

Under TSI 2022, 57% of the requests selected¹⁶ will contribute to the implementation of the RRP.

Support for green and digital transitions

In 2021, DG REFORM also continued to step up its support for the green transition in the Member States. Under TSI 2021, 1 in 3 projects, or over 100 projects in total, contributed to the European Green Deal objectives. In particular, DG REFORM supported Member States to help them unlock funding from the **Just Transition Mechanism**. To this end, DG REFORM continued its support to 18 Member States in preparing of their territorial just transition plans. With its in-house expertise DG REFORM also supported the Greek authorities in

¹⁶ The final selection of the requests is confirmed by the adoption of the Financing Decision in the 1st quarter of 2022.

shaping the Just Transition Fund Programme and underlying Just Transition Territorial Plans, while creating and building capacity in the relevant structures.

In line with the 2030-2035 EU waste management targets, the EU Action Plan for the Circular Economy and the Zero Pollution Action Plan, DG REFORM supported some Member States with draft plans or strategies for improving **waste management** and transitioning towards a **circular economy**. DG REFORM was also active in supporting Member States in water-related reforms to ensure compliance with the Water Framework Directive, the Drinking Water Directive and the Urban Waste Water Treatment Directive. For instance, Lithuania, received support to ensure the financial sustainability of water suppliers and water treatment, and the appropriate monitoring of water quality.

For the **digital transition**, DG REFORM provided support to Member States in a number of projects in line with the Europe Fit for the Digital Age Action Plan and the Digital Compass communication. In particular, DG REFORM provided expert advice to the Luxembourgish authorities on how to enhance their capacity to develop a national infrastructure strategy supporting the successful roll-out of 5G. DG REFORM also contributed to the digital transformation of Greek industry by supporting the shaping of a comprehensive Industry 4.0 strategy, including an operational plan with detailed measures and actions, which is now available to the Greek government for implementation.

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

In 2021, DG REFORM launched the **second round of Member States' requests for technical support (TSI 2022)**. Member States were asked to submit requests for technical support and to opt for one or more '**flagship technical support projects**'¹⁷. Flagship projects were designed in a way to support resilience and growth enhancing reforms, which are largely needed across Member States and linked to top EU priorities. The selected projects will contribute to key policy development and reforms for– inter alia– advancing gender equality and the green transition, advancing digital finance and the integration of capital markets. The Member States particularly hit by the COVID-19 pandemic will also get support for revitalising the tourism industry, modernising their public administration or improving their tax system. DG REFORM stands ready to provide support for integrating migrants, contribute to the Year of Youth and advance digital finance and the integration of capital markets. All these reforms set the scene for European citizens' better living standards.

Member States were also given the opportunity to submit any '**multi-country requests**', which Member States had discussed or developed in cooperation with one or more authorities of (an)other Member State(s). Multi-country requests are not limited to neighbouring Member States, but could also concern entire regions of the Union as well as Member States in different regions. Such projects bring a bigger EU 'added value', synergies

¹⁷ [Technical Support Instrument: Flagships support projects | European Commission \(europa.eu\)](#)

and promote mutual learning across several authorities/Member States with know-how and good practice exchanges.

27 Member States submitted 512 requests for support, for a total estimated value of EUR 230 million. DG REFORM identified **176 projects for funding, satisfying 225 requests** for technical support. The selection followed a thorough prioritisation exercise carried out in line with the criteria set in the TSI Regulation and a wide consultation of 24 Commission's departments to find synergies and complementarities and avoid overlaps with other programmes. The results of the survey related to the efficient and effective coordination activities carried out in 2021 with other DGs reveal, as in 2020, high satisfaction (95%) with the consultation process under the TSI round (cf. Annex 2).

In 2021, the implementation of the RRF was, as in 2020, at the core of the **European Semester**. In addition to the formal contribution to Member States for the preparation of the RRP, DG REFORM also contributed to the drafting of proposals for a 'Council Implementing Act' and the 'Staff Working Documents'¹⁸ used for approving the RRP.

In 2022, the European Semester will go back to publishing country reports together with a new set of proposals for Country Specific Recommendations (CSRs)¹⁹. Therefore, DG REFORM paid particular attention to the Member States with CSRs in the area of public administration, and other horizontal issues like financial management. DG REFORM contributed to a stock-taking exercise for every Member State to identify the challenges included in past CSRs, those not yet/partially addressed by the RRP, and new challenges stemming from emerging developments (e.g. post-COVID economic or social challenges) or new/increased EU policy ambitions (e.g. Fit for 55, Porto social summit, Digital compass). The final contribution of DG REFORM will feed into the 2022 European Semester cycle.

DG REFORM implemented some of the actions responding to the 'important'²⁰ audit recommendations received in 2020 in the context of the **IAS audit on DG REFORM processes for coordinating technical support to the Member States**. (cf. 2.1.2 Audit observations and recommendations). DG REFORM ensured the implementation of recommendations relating to the definition of specific objectives and indicators to demonstrate the effectiveness and efficiency of the coordination mechanism. Further to the projects selection process, DG REFORM enforced systematic practices to document the confirmed absence of overlap and double funding with other projects and EU funds, as well as the reasons for the non-selection of Member States requests.

The IAS acknowledged the postponed implementation of the remaining recommendations, which, however, entail no critical risks for the service, nor impact the achievement of the internal control objectives and the management's assurance.

¹⁸ SWD(2021) 12 final of 22.1.2021

¹⁹ Their publication was suspended in 2021 due to the RRF.

²⁰ As compared to 'very important' and 'critical' recommendations.

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

In 2021, DG REFORM made progress in the area of **public administration** through three major actions. First, the publication of a Commission Staff Working Document “**Supporting public administrations in EU Member States to deliver reforms and prepare for the future**”²¹ which presents how the Commission supports the efforts of the Member States to improve their administration’s fitness to meet the needs of the EU citizens and the challenges ahead. The Staff Working Document is comprehensive since it was drafted in close cooperation with 20 Commission departments, through the Inter-Service Group for Public Administration quality and innovation (IGPA). The document was well received by stakeholders. Secondly, DG REFORM organised **a high-level conference on public administration**²² to bring heightened political attention to systemic issues in public administration and discuss how to support administrative improvement, promote mutual learning, and transfer related experience across the EU. The event received high visibility and brought together high-level public officials and practitioners from the EU institutions, Member States and Third countries, academics, and international organisations. In addition, DG REFORM presented the Commission’s approach and experiences at several other external events.

Finally, in December, the Commission established an **expert group on public administration and governance**²³. The group will advise the Commission on issues relating to the development of capabilities of public administration and reform projects, including those supported by the TSI. The group’s ‘added value’ consists in strengthening administrative cooperation between Member States and EU institutions, meaning that the application of EU law, as envisaged in Article 197 of the Treaty on the Functioning of the European Union, and policies will be even more effective. The first meeting of the expert group took place in January 2022.

Furthermore, DG REFORM collaborated actively with DG ECFIN (Directorate-General for Economic and Financial Affairs) to work on the **proposal for indicator-based assessment framework of public administrations** to the LIME (Lisbon Methodology) working group²⁴ and the Economic Policy Committee²⁵. The methodology was further elaborated with new indicators on policy-making and a pilot data collection was carried out. The country data produced informed the choice of the TSI projects, as well as the Commission’s review of national Recovery and Resilience Plans, and the **Rule of Law**

²¹https://ec.europa.eu/info/departments/structural-reform-support/supporting-public-administrations-eu-member-states-deliver-reforms-and-prepare-future_en

²²https://ec.europa.eu/reform-support/public-administration-and-governance-policy-making/eu-public-administration-fit-recovery-and-transition_en

²³https://ec.europa.eu/info/news/commission-decides-set-group-experts-public-administration-and-governance-2021-dec-17_en

²⁴ https://europa.eu/epc/working-groups-epc/working-group-methodology-assess-lisbon-related-structural-reforms_en

²⁵ https://europa.eu/epc/index_en

reports. DG REFORM complemented the country data with collection of qualitative information on the performance and public administration reforms in the Member States. In 2021, DG REFORM developed a set of web pages²⁶ dedicated to public administration on its Europa website, where it maintains a collection of country and thematic information sheets.

DG REFORM organised regular meetings to coordinate various public administration related initiatives, stimulate **exchanges of experience** in the Commission and discuss thematic topics like the quality of the legislative process, the use of evidence in policy-making and trends in public administration in the Member States (cf. annex 2).

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

In 2021, DG REFORM continued to be actively engaged in supporting the resumption of settlement talks under the UN framework. The DG also continued to deliver assistance to the TCc under Council Regulation (EC) No 389/2006 (the "Aid Regulation") and to monitor the implementation of Council Regulation (EC) No 866/2004 (the "Green Line Regulation"). Under the multiannual financial framework (MFF 2021-2027) the Aid Programme has a total budget of EUR 240 million.

In 2021, DG REFORM prepared the **Annual Reports²⁷ from the Commission on the implementation of the Aid Regulation and the Green Line Regulation** for the year 2020. The Commission's staff working document formalising the results of the Aid Programme evaluation²⁸ (cf. Annual activity report 2020) was finalised on 22 February 2022²⁹ and submitted to the Budgetary Authority.

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

Further to the impact of the COVID 19 pandemic on project implementation, the situation in 2021 reached a certain level of normality for the implementation of supply and works projects. Since its outset, the crisis has affected less the implementation of technical assistance project under service contracts and grant agreements because online alternative activities could be arranged.

²⁶ https://ec.europa.eu/reform-support/public-administration-and-governance-policy-making_en

²⁷ [Annual report 2020: Implementation of the aid regulation for the Turkish Cypriot community | European Commission \(europa.eu\)](#) and [2020 Annual report on the implementation of the Green Line Regulation: https://ec.europa.eu/info/publications/annual-report-2020-implementation-green-line-regulation_en](#)

²⁸ [Evaluation of the aid programme to the Turkish Cypriot community \(2013-2018\) - Publications Office of the EU \(europa.eu\)](#)

²⁹ SWD(2022) 44 final of 22.2.2022.

The EU continued to implement a total EUR 15.2 million worth of support allocated in 2020 to the TCc to combat COVID-19 pandemic and to assist businesses in weathering the negative socio-economic impact of the pandemic. In 2021, the Commission continued to implement **economic support** packages providing emergency relief and encouraging economic growth through plans for employment, innovation and green/digital transition. A key **education project** to install science laboratories in primary schools was completed and it is now being rolled out in secondary schools.

In April 2021, the Commission adopted two measures regarding an important Cypriot heritage: the Halloumi/Hellim cheese. The **registration of Halloumi/Hellim cheese as a Protected Designation of Origin (PDO)** will ensure that only producers in Cyprus who comply with the product specification are allowed to market their cheese within the EU, under the name Halloumi/Hellim. Another instrument allows Turkish Cypriot PDO compliant Halloumi/Hellim to be traded across the Green Line and thus into the EU market, provided it fulfils all the relevant EU animal and public health standards.

DG REFORM continued to implement large **infrastructure projects**. This included completion of the construction of the new trunk sewer in Nicosia. Important progress was made on the remedial works of the Famagusta sewerage network as the implementation started following the clearance from the Republic of Cyprus on the use of the land, and the validation of the “design visa” by the Turkish Cypriot chamber of civil engineers. EUR 4.7 million reinforced the EU infrastructure investments entrusted to UNDP.

The Commission played an active role in reaching a technically acceptable and long-awaited **solution for both communities on the interoperability of mobile phones and the introduction of 5G mobile services across the island**. TV broadcasting systems will be removed from the 700 MHz frequency band, transitioning from analogue to digital broadcasting and freeing the frequency for rolling out 5G in Cyprus. Intensive efforts continue on preparations for implementing the acquis.

To foster **reconciliation, confidence-building measures and support to civil society**, DG REFORM continued to fund the activities of the Committee on Missing Persons and the bi-communal Technical Committee on Cultural Heritage. The capacity of Civil Society Organisations was reinforced following the conclusion of 11 grant agreements totalling EUR 1.8 million.

To **bring the TCc closer to the EU** (cf. KPI. 3), the Aid Programme funded 136 scholarships for Turkish Cypriot students to attend universities in other EU countries, under a scheme managed by the British Council. In 2020, a new agreement was signed with the United World College (UWC) allowing 10 students from both communities to undertake in 2021 the International Baccalaureate Diploma programme in different countries. The actions implemented by UWC also includes cross-community youth engagement activities and short courses aimed at empowering the young people.

The **TAIEX** facility remains an important contribution to the Aid Programme, with continuous support provided for trade across the Green Line and regular assistance by health experts in the context of the COVID-19 pandemic. This support was adapted to the online setting and continued under 12 areas or sectors of the acquis to facilitate the reunification of Cyprus. In total, 147 TAIEX events were organised; this represents a sharp increase compared to the 49 events in 2020.

A steady high number (394) of **communication and visibility activities** were organised in 2021 to showcase³⁰ the EU's work and the COVID- related support to the TCc. Together with the EU Infopoint, REFORM organised communication and visibility actions covering EU-related themes, such as gender equality, health and safety at work, the European Green Deal. 36 events and an education series attracted, as in 2020, over 15 000 participants.

³⁰ Covid-19 related video: <https://www.facebook.com/ABBilgi/videos/1054902551699431>

Support to small SMEs in response to Covid-19: <https://www.facebook.com/ABBilgi/videos/473028644063075>

Expert advice provided by EU in response to Covid-19:

<https://www.facebook.com/ABBilgi/videos/917434099009952>

Equipment and supplies provided by EU in response to Covid-19:

<https://www.facebook.com/ABBilgi/videos/436641844449783>

Provision of vaccines to TCc with the support of EU:

<https://www.facebook.com/ABBilgi/videos/116482397015367>

Restoration of the Othello Castle: <https://www.facebook.com/ABBilgi/videos/178990670484612>

Modernising Schools with Science Labs- primary education:

<https://www.youtube.com/watch?v=jGvmlCOhDT4&t=2s>

2. MODERN AND EFFICIENT ADMINISTRATION AND INTERNAL CONTROL

2.1. Financial management and internal control

Assurance is provided on the basis of an objective examination of evidence of the effectiveness of risk management, control and governance processes. This examination is carried out by management, who monitors the functioning of the internal control systems on a continuous basis, and by internal and external auditors. The results are explicitly documented and reported to the Director-General. The following reports have been considered:

- DG REFORM's authorising officers by sub-delegations'(AOSD) reports, their annual declarations on the 2021 operations and DG REGIO authorising officer by delegation's report on the use of the cross-sub delegated resources;
- Available pillar-assessment reports for entrusted entities working with DG REFORM under indirect management³¹ as understood in article 62.1(c) FR;
- The reports on control results (management declarations and audit opinions) from entrusted entities (including International Organisations) in indirect management, as well as the result of the Commission supervisory controls on the activities of these bodies;
- The contribution by the Director in charge of Risk Management and Internal Control, including the results of internal control monitoring at the DG level;
- The reports on recorded exceptions and non-compliance events referring to the activities of 2021 and any cases of 'confirmation of instructions' (Art. 92.3 FR);
- The limited conclusion of the Internal Auditor on the state of internal control, and the observations and recommendations reported by the Internal Audit Service (IAS);
- The observations and the recommendations reported by the European Court of Auditors (ECA);
- The ex-post control reports based on internal desk reviews made on procurement procedures and the insourced and outsourced audits and verifications made on grants/contribution agreements;
- The expenditure verification reports submitted by the grant beneficiaries in support of cost claims and conducted by external auditors;
- The conclusions of the anti-fraud control actions carried out as part of the anti-fraud strategy.

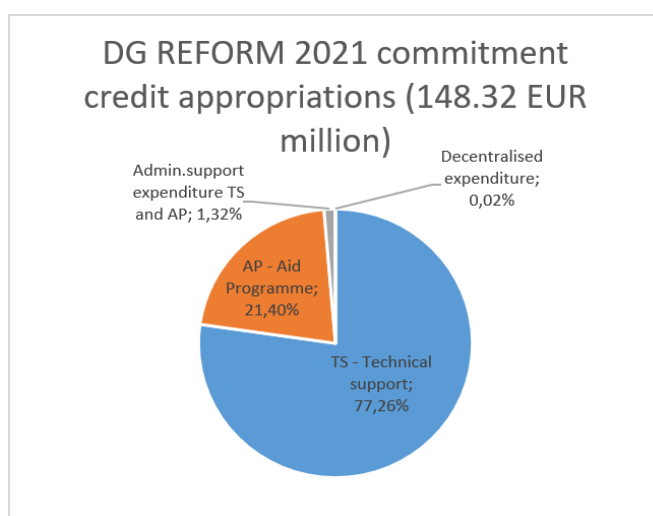
³¹ Pillar assessment is an ex-ante assessment of the internal control system of an international organisation or national agency allowing them to sign a pillar-assessed grant or delegation/contribution agreement governed, as appropriate, by a specific administrative and financial framework signed by the Commission and the relevant organisation.

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

2.1.1. Control results

This section reports and assesses the elements identified by management which support the assurance on the achievement of the internal control objectives (ICO)³². The DG's assurance building and materiality criteria are outlined in AAR Annex 5. The AAR Annex 6 outlines the main risks together with the control processes to mitigate them and the indicators used to measure the performance of the relevant control systems.

DG REFORM total budget for 2021 (commitment credit appropriations) was EUR



151.70 million, of which EUR 3.22 million was co-delegated³³ to other Directorates-General. Furthermore, a total of 0.16 million was cross-sub delegated to DG REFORM for training and administrative support expenditure related to RRF³⁴. As a result, DG REFORM centrally **managed a total amount of EUR 148.32 million**. This amount includes operational credits, support expenditure³⁵ and global). **99% of these credits were committed** in the following proportion: 79% under the Technical Support and

21% under the Aid Programme. DG REFORM implemented its funds by **direct management (procurement and grants) and indirect management**.

In 2021, DG REFORM continued to provide **Technical Support** to Member States in application of the annual and previous work programmes: Technical Support Instrument

³² 1) Effectiveness, efficiency and economy of operations; 2) reliability of reporting; 3) safeguarding of assets and information; 4) prevention, detection, correction and follow-up of fraud and irregularities; and 5) adequate management of the risks relating to the legality and regularity of the underlying transactions, taking into account the multiannual character of programmes as well as the nature of the payments (FR Art 36.2).

³³ This amount was co-delegated to DG NEAR, DG HR, DG DIGIT, PMO, DG COMM and DG REGIO. These Directorates-General retain the sole responsibility for implementing the co-delegated appropriations and to report thereon in their annual activity reports.

³⁴ This amount was cross-sub-delegated by DG HR and DG ECFIN to DG REFORM. In line with the Internal Rules, DG REFORM will report about the implementation of these funds to the responsible authorising officer in these DGs so the relevant information can be incorporated in their respective AARs.

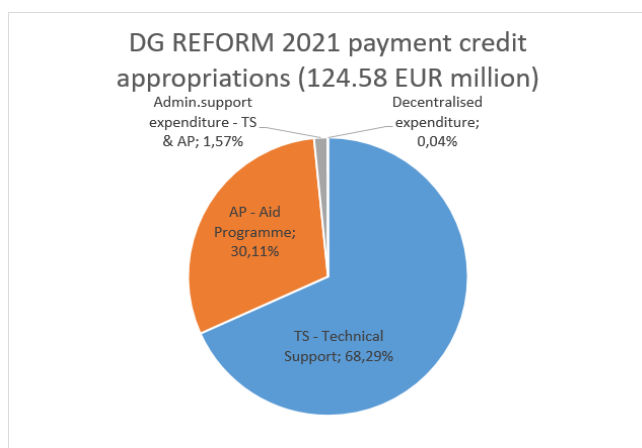
³⁵ The support expenditures also include an amount of EUR 112 608 that was cross-sub delegated to DG REGIO for IT-related expenses. In line with the Internal Rules, DG REFORM retains the responsibility of reporting on these funds.

(TSI) (COM(2021)1335); Structural Reform Support Programme (SRSP)³⁶ (C(2020)1026); the Regulation on the SRSP – Art. 11, as other financial contributions to the budget of the Programme) based on the voluntary requests of the Hellenic Republic (C(2018)3748) and C(2020) 4290, and Bulgaria (C(2018)5435)³⁷ to entrust resources³⁸ to the Commission to support actions contributing to the delivery of the Union strategy for smart, sustainable and inclusive growth.

Under the **Aid Programme**³⁹, DG REFORM adopted its annual work programme (C(2021)8905) establishing assistance initiatives to facilitate the reunification of Cyprus and by encouraging the economic development of the Turkish Cypriot community, the economic integration of the island, the improvement of contacts between the two communities and with the EU, including the preparation for the acquis. DG REFORM also continued the implementation of the previous work programmes (C(2018)6695, C(2019)6531 and C(2020)4008).

In 2021, DG REFORM total budget (payment credit appropriations) was EUR 129.45 million of which EUR 4.70 million was co-delegated⁴⁰ to other Directorates-General and 0.16 million cross-sub delegated to DG REFORM.

DG REFORM implemented 97% of the available appropriations by making payments for EUR 121 million, of which 69% under the Technical Support and 31% under the Aid Programme.



DG REFORM implemented the **TSI, SRSP and ESIF** payment credit appropriations primarily under direct management (58%), in the main following proportion: grant direct management (25%) and procurement (74%). Forty-two percent of the credits were used under indirect management.

The majority of the payment credit appropriations under **the Aid Programme** were also used under direct management (56%), mainly through procurement contracts (70%) and grants agreements awarded following calls for proposals (30%). Forty-four percent of the credits were used under indirect management (Cf. graphs under annex

³⁶ Regulation (EU) 2018/1671 of 23 October 2018 amending Regulation (EU) 2017/825 to increase the financial envelope of the SRSP and adapt its general objective.

³⁷ Amended C(2019)7707 including a new objective and results on the 'strengthening the administrative capacity to monitor and control e-commerce'.

³⁸ A financial envelope of EUR 20 million from the Hellenic Republic under C(2018)3748), EUR 5 million under C(2020)4290) and EUR 1.5 million from Bulgaria.

³⁹ Council Regulation (EC) No389/2006 of 27 February 2006 establishing an instrument of financial support for encouraging the economic development of the Turkish Cypriot community and amending Council Regulation (EC) No 2667/2000 on the European Agency for Reconstruction.

⁴⁰ This amount was co-delegated to DG HR, DG DIGIT, PMO and DG REGIO. These Directorates-General retain the sole responsibility for implementing the co-delegated appropriations and to report thereon in their annual activity reports.

7).

The table below and the following sections presents the **control results** related to DG REFORM activities as carried out in 2021 and in respect of the **payments made** per segmented area of expenditure.

Overview table (amounts in EUR million)

Activities	Grants	Procurement	Cross-delegations to DG REGIO	Administrative agreements to EE	Delegation / Contribution agreements with EE	Other expenditure	Total Expenditure
TSI	3.75	1	0.06	0.27	22.07	0.00	27.15
SRSP (including ESIF)	8.4	34.78	0.00	0.20	13.01	0.00	56.39
Aid Programme	6.28	14.54	0.00	0.00	16.64	0.00	37.46
Totals (coverage)	18.43	50.32	0.06	0.47	51.72	0.00	121.00
Links to AAR Annex 3	Overall total (m EUR); see Table 2 – payments made						Overall total (m EUR)

1. Effectiveness of controls

a) Legality and regularity of the transactions

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

In 2021, DG REFORM continued to process its financial transactions in accordance with the principles of sound financial management and legality and regularity by applying **ex-ante controls** placed in the operational and financial Units and ensuring respect of the 'four eye principle' and segregation of duties before authorisation. All operations performed in 2021 were reviewed ex-ante by the financial sector; this allowed any required quantifiable corrections to be made during the transactions' process. Furthermore a risk-based sample of grants' cost claims are subject to an in-depth controls⁴¹ by the financial Unit in accordance with the ex-ante control strategy.

DG REFORM operates under a partially decentralised financial circuit with counterweights (ex-ante financial initiation and verification) in the financial unit in order to manage the high volume of its diverse operations more efficiently and effectively. The financial circuits were updated during the year to reflect the new sub-delegations and powers of authority established according to the risks and values of operations and the evolution of the budget nomenclature under the MFF 2021-2027.

The control systems for budget implementation continue to apply by reflecting the risks of the different management modes applied to the operations of DG REFORM programmes. The main annual indicators of effectiveness including, for instance, no legal proceeding or cases of complaints concluded with issues of maladministration; the values of the identified ineligible costs claims and credit notes ensuring the legality and regularity of operations and prevention of financial loss; lack of audit critical recommendations, etc. (cf. annex 7 5) also demonstrate the **quantifiable and unquantifiable benefits** (annex 7.1) generated by the effective functioning of DG REFORM controls in line with the relevant control systems for budget implementation (annex 6).

In 2021 the COVID-19 pandemic has also continued to affect the regular implementation of the contracted activities. This is evidenced by the several contractual amendments⁴² made for instance, to change deadlines of activities, either at the request of the beneficiary authorities in the Member States (for instance, as a result of changed priorities/political

⁴¹ Desk check strategy including ex-ante in-depth controls on payments targeting particularly non-pillar-assessed beneficiaries of grants (*for which the risk of errors is higher than for pillar-assessed organisations*). It consists of: a) continuing to carry out ex-ante controls on beneficiaries' estimated budget items before grants are awarded; and b) on a sample basis, asking beneficiaries to provide documented evidence supporting the sampled cost claims, with a view to ensuring that the amounts finally paid out are in accordance with the applicable contractual conditions on the eligibility of costs.

⁴² Contractual amendments under the Aid Programme (74) and the Technical Support (111).

reshuffles) or the contractors/beneficiaries. Considering the circumstances, DG REFORM has taken these possible mitigating actions to secure the continued implementation of its activities. On the other hand, the COVID pandemic has had no particular impact on DG REFORM ability to carry out procurement procedures and to secure the targets of the year in terms of contracts signed. This is evidenced by the high percentage of budget implementation still reached in terms of operational credit appropriations used (99% in 2021 and 2020 and 98% in 2018).

Finally, the main control objective in the area of legality and regularity is to ensure that the estimated residual error rate (the amount that remains uncorrected after the corrections of the errors in the audited payments) does not exceed 2% of the total annual expenditure for each activity (annex 5 – Materiality criteria). The residual error rates was calculated in accordance with the multiannual approach specified in the ex-post control strategy (cf. annex 7.2). Therefore, the results presented in this section take into account the risks related to the management modes and instruments used for each type of expenditure, the controlled/audited amounts and the error rates identified. The results of the controls and the conclusions reached feature below, under each expenditure management mode.

a.1. Direct management

Procurement direct management

In 2021, DG REFORM implemented a total of EUR 50.8 million in payments⁴³ and signed contracts⁴⁴ for EUR 63.3 million under procurement direct management.

Further to the **Technical Support** credits appropriations implemented through procurement, DG REFORM made extensive use of its 'Multiple framework contract for providing support for reforms in EU Member States' and other EC framework contracts by signing 136 specific contracts mainly following re-openings of competition. The risks linked to the implementation of an established framework contract are considered to be minor, and, in any case, these were offset by a systematic re-opening of competition, which ensured an assessment of the offers responding better to each technical support initiative. Such specific contracts represent 92% of the total contracts signed under the Technical Support.

DG REFORM also established a marginal number of contracts under the existing Call of expression of interests and a few (including Support expenditure for RRF and TSI) contracts of middle and low values, below the Directive threshold of EUR 139,000 for the provision of rapid mobilisation of technical support specific expertise. Nonetheless, DG REFORM awarded such contracts on the basis of a systematic assessment of the established eligibility selection and award criteria. DG REFORM has demonstrated its commitment to adhering to the principle of wider competition and transparency applying to procurement procedures, by ensuring ex-ante publicity on the planned middle - and low-value contracts.

DG REFORM applied the same operational and financial ex-ante controls to all procedures leading to the signature of a legal commitment or an authorisation of payments, and

⁴³ Including administrative agreements (TS) and support operational expenditure (TS and Aid Programme).

⁴⁴ Including administrative agreements, and contracts under operational and administrative expenses.

continued to monitor from an operational perspective the projects and contracts milestones through JIRA (IT tool).

In 2021 DG REFORM implemented the templates and guidance already developed since 2018 and updated/developed the existing and new ones to reflect the new budget nomenclature and the references to the new Programme or to embed changes following some specific recommendations following the ex-post controls performed in 2020. Arrangements were also made for establishing a new framework contract to implement the future TSI.

Further to the implementation of the **Aid Programme** work programmes, DG REFORM managed various types of procurement procedures for establishing service, supply, work contracts (less than a dozen of direct contracts), for instance, to modernise school laboratories or specific technical assistance. DG REFORM also signed 8 (including Support expenditure for the AID Programme) specific contracts under established EC framework contracts, for instance, for IT maintenance and IT support to the EU Programme Support Office (EUPSO).

Ex-post controls

In line with the applicable ex-post control strategy and the 2021 desk review plan, DG REFORM performed desk reviews to check the legality and regularity of the procurement procedures managed by the DG and to monitor any improvement made following the previous year's results. The checks refer the review of procedures closed in 2020.

DG REFORM reviewed ten different procurement procedures⁴⁵ (for a total contract value of EUR 36 million) referring to the Technical Support, and six⁴⁶ other ones (for a total contract value of EUR 5.1 million) under the Aid Programme.

The results of the checks performed reveal that, compared to the previous year, major improvements have been made in managing the procurement procedures under both Technical Support and the Aid programme. No reputational risk or issue has been noted on the legality and regularity of the files reviewed. In addition, adequate follow-up actions were taken in relation to previous recommendations.

In light of these comprehensive reviews DG REFORM makes its best conservative estimates of the error rates for procurement of Technical Support and the Aid Programme at 0.5%.

Grant direct management

In 2021, DG REFORM implemented a total of EUR 18.4 million in payments and signed agreements for EUR 9.4 million under grants direct management.

In terms of values, 39% of the total payments under direct grant management were made to organisations, which undergo an overall European Commission's ex-ante assessment

⁴⁵ The only open procedure concluded in 2020, 5 negotiated procedures for the awarding of middle- and low-value contracts, 4 specific contracts implementing the multiple framework contract for support provided for the implementation of reforms in the EU Member States.

⁴⁶ 1 open procedure for a work contract; 1 restricted procedure for a service contract and 3 different type of negotiated procedures and 1 simplified procedure. For each type of procedure, the one with highest value was selected for review. The procedures concluded with a single tender were excluded from the review because of the low value (up to EUR 20,000) of the contracts awarded.

(called "pillar assessment"). This guarantees a level of protection and assurance (e.g. in accounting, internal control, audit and procedural terms) of the financial interests of the Union equivalent to that required under the Financial Regulation.

Moreover, the majority (70% in number and 81% in value) of all the payments processed in 2021 under direct grant management concerned initial pre-financing. Initial pre-financing payments does not expose the DG to risks, since the amounts are still considered assets of the Commission. In fact, these are only transferred to the beneficiaries when the final cost claims are accepted by the Institution.

With respect to the **Technical Support**, in 2021, DG REFORM has almost halved the number its directly awarded grants, compared to the previous year (36). The majority (62%) of these direct grants were provided to 'non-pillar-assessed' grant beneficiaries, including Member-State public bodies and other bodies with a public service mission, which, in view of the nature of the technical support action, have a recognised and relevant technical competence, and a high degree of specialisation.

Such grants are subject to DG REFORM in-depth ex-ante controls⁴⁷. The rest were 'grant agreements' with pillar-assessed organisations such as the European Investment Bank (EIB) or the International Monetary Fund (IMF). Both pillar and non-pillar-assessed grants are subject to ex-post controls (financial audits or expenditure verifications). Finally, DG REFORM increased the number of grants fully managed through the e-grant module (11 agreements compared to only 2 agreements in 2020).

DG REFORM continues to contribute to the implementation of the Commission's strategy 'EU budget expenditure focused on results', by implementing interventions according to a 'logical framework approach' (LFA) based on planning, outputs, outcomes and performance indicators for the implementation of the funds in both direct and indirect management. In 2021 DG REFORM organised 19 workshops to improve the capacity to design projects and outsource services.

Under the **Aid Programme**, DG REFORM awarded almost all grant agreements for a total value of EUR 1.8 million, following different calls for proposals. In terms of value, the majority (84%) of the payments under grant direct management were made to non-pillar assessed beneficiaries. The remaining 16% was a payment made to a pillar-assessed grant beneficiary (IBRD).

Operational and financial monitoring has been carried out during the life of the grants generally through verification of deliverables (e.g. interim, final reports) submitted by the relevant beneficiaries. Moreover, where appropriate, action grant (non-pillar-assessed) agreements⁴⁸ for a value higher than EUR 100 000 (Aid Programme) and EUR 725 000 (Technical Support) were subject to verification of the action's expenditure by external auditors. In 2021, DG REFORM received audit certificates supporting the payments for EUR 1.5 million related to 8 grants agreements under the Aid Programme. The objective of this expenditure verification is to assist the Contracting Authority in evaluating, before final

⁴⁷ Under the control strategy for Ex Ante Desk Checks applicable to Grant agreements under Technical Support.

⁴⁸ For grant agreements managed under e-grant, audit certificate are required when the value is higher than EUR 100,000 under the SRSP and EUR 60,000 under the TSI.

payments are made, whether the fees and expenditure claimed by the beneficiaries on the invoices and financial reports are eligible, and in accordance with the terms and conditions of the signed grant agreements. No final payment made under the Technical Support required such evidence.

Ex-post controls

In accordance with its ex-post control strategy, DG REFORM outsourced the majority (7) of the audits of the grant payments made under the Technical Support (SRSP and related ESIF funds)⁴⁹ and reviewed 4 files directly with its own ex-post controllers (cf. annex 7.2).

Further to the grant agreements established with pillar assessed organisations (PA)⁵⁰, the 2021 audit results show for a first time errors above 2% of materiality, which however, considering the lack of material errors found in the period 2018-2020 audits, lead only to 1.29% multi-annual detected error rate (DER) and a multiannual residual error rate of 1.27%. Therefore, no financial reservation is deemed appropriate. Nonetheless, the detected errors will be followed up with necessary recoveries and with further clarifications to be made to these type of grant beneficiaries on the eligibility of costs. In 2021 such initiative was enforced also with non-pillar assessed beneficiaries (see below).

Further to the grants agreements made with non-pillar-assessed organisations (NPA), the audit results reveal material errors (above 2%) for five out of nine grants reviewed. The detected error rate (DER) of this segment of expenditure is 4,35% at multi-annual level (2018-2021). On such a basis, DG REFORM has also calculated a residual error rate (RER) of 3,26% at multiannual level. However, despite this being above 2%, DG REFORM concludes that a financial reservation is no longer necessary since this qualifies as 'non-substantial' in application of the two conditions of the "de-minimis rule" (cf. 2.1.4 Conclusion of the assurance).

For all final reports containing errors DG REFORM will notify to the relevant beneficiaries the final overpaid amounts for recovery, according to the results in the final audit reports. Moreover, considering the errors noted and despite the lifted reservation, DG REFORM will continue to remind with written communication to its beneficiaries the rules on the eligibility of costs. At the same time, DG REFORM will also continue to share the results of the audits with its own staff to capitalise on the lessons learned. Such mitigating actions remain relevant for the DG and complement the effectiveness of its ex-post controls by preventing grant beneficiaries from committing future errors.

Based on the results of the ex-post controls on grant management, the DG REFORM is of the opinion that the control procedures in place give the necessary guarantee for the legality and regularity of the underlying transactions.

a.2. Indirect management

In 2021, DG REFORM implemented a total of EUR 51.7 million in payments and EUR 57.7 million in commitments under indirect management.

DG REFORM continued to select entrusted entities in alignment with the legal framework,

⁴⁹ No final payments have yet been made under the TSI Programme.

⁵⁰ Beneficiaries with ex-ante assessment of their internal control systems.

i.e. either the entrusted entity is already identified in the Commission's financing decisions or the choice of the selected entity is justified by compliance with the criteria already established in the annual work programme.

Under the **Technical Support**, DG REFORM made EUR 47.9 million in commitment (cf. annex 11) and EUR 35 million in payments related to technical support projects managed by pillar-assessed organisations.

DG REFORM continued the practice to sign "umbrella" agreements with entrusted entities working under indirect management. Such legal arrangements, secure high level and stable cooperation with such organisations and significantly reduce costs, as they group a number of projects into a single agreement and therefore also reduce the internal workload. In 2021, DG REFORM signed umbrella agreements for a total of EUR 28 million with the OECD, EUR 2 million with the EBRD, EUR 3.9 million with the Council of Europe and EUR 2.1 million with Expertise France.

A share of the **Aid Programme** resources for the Turkish Cypriot community (TCc) were implemented by indirect management (EUR 16.6 million in payments to the British Council⁵¹, NiCO⁵² and the UNDP⁵³), and EUR 9.8 million in commitments with UNDP within the 'Innovative Entrepreneurship and Dialogue' project (cf. annex 11).

Ex-post controls

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

DG REFORM ensured appropriate supervision of the entrusted tasks by applying operational and ex-ante financial controls similar to the controls over the expenditure under direct management. DG REFORM controls include a thorough examination and approval of the progress and final reports, the entrusted entities' management declarations and, if any, the audit or control opinions provided under the relevant agreements.

In 2021 DG REFORM received positive management declarations from the Republic of Finland, UNHCR, NICO, British Council and UNDP supporting the Technical Support and Aid Programme payments for EUR 10.6 million. In the management declarations received in support of final payments DG REFORM detected no mention related to any qualified/adverse audit opinion. This provides reassurance on 81% of the payments related to SRSP+ESIF under indirect management.

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

⁵¹ For the EU Scholarship Programme for the TCc.

⁵² Northern Ireland Cooperation Overseas (NI-CO Ltd) - for the Innovative Entrepreneurship and dialogue for the TCc.

⁵³ For the Support to the Committee on Missing Persons in Cyprus (phase 12 & 13), the Support facility to the bi-communal technical committee and support to the cultural heritage monuments.

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

The total final number of **exceptions** (5) and **non-compliance events** (3) recorded in the 2021 reveals a substantial (one-third) reduction of non-compliance events and a steady limited recourse to exceptions, as compared to last year⁵⁴.

The significance of the majority of exception requests and non-compliance events signed is medium in quantitative and qualitative terms. The majority of exceptions and weaknesses recorded are, like in 2020, connected to COVID-19 circumstances, and refer mainly to amendments established outside the validity period of the contracts (Technical Support).

Considering the reminders issued to middle managers already in 2020; the continued possible impact of the persistent pandemic on the timeliness of business operations; and yet, the very limited number (2) of deviations of this kind recorded last year, no systemic issue is to be signalled.

Based on the information reviewed; it can be concluded that the deviations recorded in 2021 have no major impact on the legality and regularity of the DG REFORM operations.

Furthermore, one of the elements of the internal control activities is to manage the risk linked to sensitive functions⁵⁵. Such risks are generally kept at an acceptable level by means of preventive or detective controls. If it is considered that the residual risk (risk still emerging despite the controls in place) is still significant, the function is considered 'sensitive' for a maximum of five years. In exceptional cases, the duration of a sensitive function can be prolonged upon a case-by-case assessment.

In 2021 DG REFORM carried out its annual assessment of sensitive functions as part of the annual risk assessment exercise. The Director-General signed three **derogations** to allow the relevant staff members to continue to perform the sensitive function of Authorising Officer by sub-delegation for two additional years. The established derogations were approved considering needs of business continuity until replacements are identified, the mitigating actions already in place applying to riskier transactions, and the existing regular reporting requirements to the Authorising Officer by Delegation already foreseen in the established sub-delegations.

Further to the 2018 Financial Regulation and reporting requirements, in 2021, DG REFORM registered **no cases** of:

- 'Confirmations of instructions' related to irregularities or cases contrary to the principle of sound financial management to be reported to the Authorising Officer (art. 92.3 FR);
- 'Derogations from non-retroactivity principle' (art. 193.2 FR), i.e. the acceptance of costs incurred before the project grant application was submitted;

⁵⁴ 5 exceptions and 9 non-compliance events in 2020.

⁵⁵ Within the Commission, the circumstance where a staff member performs a part or all of his/her job activities with a degree of autonomy and/or decisional power sufficient to permit him/her deliberately to misuse those powers for personal advantage (financial or otherwise) or to do damage is considered a *potentially* 'sensitive function'.

- 'Financing not linked to costs' (Art.125.3 FR, i.e. when contributions are based on the fulfilment of conditions or the achievement of results);
- 'Financial Framework Partnership established and longer than 4 years' (Art. 130.4 FR);
- 'Flat rates above 7% for indirect costs' (Art 181.6 FR) paid under grant management, decided by reasoned Commission Decisions.

Having regard to the completeness and reliability of the factual information described under the above sections, DG REFORM consider the overall effectiveness of its control results regarding the **legality and regularity** of its operations in 2021. DG REFORM concludes that there are no longer elements, nor risks impacting the annual declaration of assurance, which is ultimately free from a financial reservation. Such a conclusion is reached by considering, in particular, the reduced risks connected with the implementation of the expenditure under grant direct management with NPA beneficiaries under the SRSP (legacy programme). This is evidenced by the decreasing value of the segment of expenditure where the errors have emerged, which now accounts only for 3% (as compared to 5.8% in 2020) of the annual expenditure. Therefore, this aspect, complemented by the very marginal financial impact (amount at risk at closure), finally makes the potential financial reservation as 'non-substantial' in the meaning of the 'de-minimis rule' (cf. 2.1.4 – Conclusions on the assurance).

Amount at risk at payment and at closure

DG REFORM portfolio consists of segments with a low error rate, and only one segment of expenditure with an error rate higher than 2% of materiality, i.e. grant direct management with non-pillar assessed organisations under the DG REFORM legacy programme, i.e. SRSP and ESIF funds. This is, respectively, due to the inherent risk profile of the funding modalities and beneficiaries, despite the efforts made in the related controls systems.

For this segment with control weaknesses, the root causes of errors are related to incorrect calculation of eligible costs claimed or costs not matching with accounting records, costs claimed not linked to the project, costs claimed not outlined in the budget and lack of evidence of payments. The management actions taken to address these weaknesses consist mainly in a) performing ex-ante control checks including in-depth sampled checks before final payments; b) instructing beneficiaries on the eligible actions for final cost claims and c) ultimately, recovering the undue paid amounts as a result of the previous annual ex-post controls. In this context, the improvements made during the reporting year already resulted in the identification of undue amounts, including those from the 2021 financial audits, which will then be recovered.

Through recoveries and financial corrections, DG REFORM has in place an effective mechanism for correcting errors. During the reporting year the executed corrective capacity amounted in total to € 64 600.14 representing 0.06% of the relevant expenditure. The benefit at ex ante level control amounts to € 33 159.75, whilst recoveries and financial corrections following the results of ex post controls amounted to € 31 440.89.

DG REFORM's relevant expenditure, its estimated overall risk at payment, estimated future corrections and risk at closure are set out in Table X: Estimated risk at payment and at closure.

The estimated overall risk at payment for 2021 expenditure amounts to € 0.72 million, representing 0.75% of the DG's total relevant expenditure for 2021. This is the AOD's best, conservative estimate of the amount of relevant expenditure during the year not in conformity with the contractual and regulatory provisions applicable at the time the payment was made.

This expenditure will subsequently be subject to ex-post controls and a proportion of the underlying errors will be detected and corrected in subsequent years. The conservatively estimated future corrections for 2021 expenditure amount to € 0.12 million.

The difference between those two amounts results in the estimated overall risk at closure of € 0.61 million, representing 0.63% of the DG's total relevant expenditure for 2021. This is an increase of 0.05% solely due to the increased value of total payments (+ EUR 14.3 million) as compared to 2020.

Compared to last year, DG REFORM total amounts at risk at payment and at closure have slightly increased, but proportionally to the increased value of payments processed during the year. As a result, the related percentage of the overall risk at payment of the total relevant expenditure has decreased (0.75% as compared and 0.96% in 2020). Instead, the overall amount at risk at closure (%) of the total relevant expenditure has slightly increased (0.63% as compared to 0.58% last year) mainly for a still relatively low historic corrective capacity (0.12%). Nonetheless, with the corrections and recoveries made during the year DG REFORM demonstrates to have a growing corrective capacity, which is functioning well and whose results are progressively showing in terms of amounts detected, corrected or recovered (annex 3 and annex 7). This is not a minor feat for DG REFORM whose ex-post control function operates only since 2018.

For an overview at Commission level, the DGs' estimated overall risk at payment, estimated future corrections and risk at closure are consolidated in the Annual Management and Performance Report (AMPR).

Table X : Estimated risk at payment and at closure (amounts in EUR million)

DG REFORM (1)	Relevant expenditure (2) m EUR	Estimated risk (error rate %) at payment (3)		Estimated future corrections (4)		Estimated risk (error rate %) at closure (5)	
		m EUR	%	m EUR	%	EUR	%
SRSP+ESIF Indirect Management	6.05	0.03	0.5	0.01	0.12	0.02	0.38
SRSP+ ESIF Procurement	34.83	0.17	0.5	0.04	0.12	0.13	0.38
SRSP +ESIF Grant NPA	3.4	0.15	4.35	0.00	0.12	0.14	4.23
SRSP +ESIF Grant PA	13.79	0.18	1.29	0.02	0.12	0.16	1.17
SRSP Administrative arrangement	0.26	0	0.5	0.00	0.12	0	0.38
TSI Indirect management	0	0	0.5	0.00	0.12	0	0
TSI Procurement	0.08	0	0.5	0.00	0.12	0	0.38
TSI Grant NPA	0	0	0.5	0.00	0.12	0	0
TSI Grant PA	0	0	0.5	0.00	0.12	0	0
TSI Administrative arrangement	0	0	0.5	0.00	0.12	0	0
TSI Support expenditure to RRF and TSI	0.98	0	0.5	0.00	0.12	0	0.38
Aid programme Indirect Management	18.67	0.09	0.5	0.02	0.12	0.07	0.38
Aid Programme Procurement	14.57	0.07	0.5	0.02	0.12	0.06	0.38
Aid programme Grant NPA	1.38	0.01	0.5	0.00	0.12	0.01	0.38
Aid Programme Grant PA	2.53	0.01	0.5	0.00	0.12	0.01	0.38
Aid programme Support expenditure Procurement	0.04	0	0.5	0.00	0.12	0	0.38
Administrative expenditure of the EC	0	0	0.5	0.00	0.12	0	0.38
TOTAL	96.58	0.72		0.12		0.61	
		Overall risk at payment and at closure in %	0.75% [(3)/(2)]			0.63% [(5)/(2)]	

b) Fraud prevention, detection and correction

In June 2021 DG REFORM updated its **anti-fraud strategy (AFS)** on the basis of the methodology provided by OLAF, considering the re-organisation of the DG and the entry into force of the Technical Support Instrument. The strategy takes into account the main potential fraud residual risks for the DG emerging from a specific fraud risk assessment, and includes an action plan focused on actions for awareness raising, preventing, detecting, reporting and correcting fraud and irregularities. The action plan also goes beyond the results of the fraud risk assessment and therefore it also includes the continued enforcement of corporate control requirements, such as the identification of DG REFORM sensitive functions; the attendance of ethics and integrity training, or the use of Early Detection and Exclusion System (EDES)⁵⁶. The implementation of the AFS is monitored and results are reported to management, as appropriate. All necessary annual actions under the AFS in place have been implemented.

DG REFORM also contributed to the Commission anti-fraud strategy's action plan⁵⁷, by providing – upon Member States' demand- technical support to improve, for instance, the integrity and transparency national frameworks; developing national anti-fraud strategies or ensuring their effective implementation. DG REFORM made appropriate local arrangements following the creation in 2021 of the European Public Prosecutor's Office (EPPO), to be ready in case of any possible investigations.

In 2021 **no fraud risk materialised in DG REFORM** and no OLAF fraud enquiry was opened. DG REFORM did not have to follow up on any OLAF financial recommendations. The results achieved during the year were possible also thanks to the anti-fraud measures in place which can be summarised as follows:

- control reviews of: the staff 'Ethics and Integrity' training attendance; declarations on potential conflicts of interests; recurrent contractors under middle and low value contracts; recurrent direct grant beneficiaries; anti-plagiarism checks; contracts/grants amendments; meetings with interest representatives;
- annual assessments of: the potential fraud risks as part of the annual risk assessment exercise; sensitive functions in the DG; the results of the ex-post (desk reviews and external audit reports) control activities;
- awareness raising activities, including presentations of the new AFS in all Units; factsheets on rules related to 'rules on gifts and hospitality'; 'outside and occupational activities'; 'roles and responsibilities'; 'EDES'; 'anti-leaks and secure information'; a button on the local intranet to report suspicious instances of fraud/wrongdoing to hierarchy or to OLAF; reminders to Member States about the

⁵⁶ Articles 135-144 of the Financial Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018

⁵⁷ SWD (2019) 171, 29.4. 2019 including an action on the 'Training, awareness-raising and technical assistance' to Member States through various spending programmes. The Commission services are expected to offer technical support, and increase their efforts, together with OLAF, with a view to preventing and detecting possible fraud and corruption cases and to providing better cooperation and communication with Member States on fight against fraud.

protection of the Union financial interests from fraud and irregularities and the fact that DG REFORM will apply a proactive zero tolerance approach in this regard;

- regular updates of an online repository of information dedicated to preventing fraud and open to all staff;
- timely and effective follow up with other Commission's departments/contractors in the context of 'early detections and exclusion cases' (art.136 of the Financial Regulation) and potential instances of irregularity/fraud.

Finally, following many communication activities DG REFORM assessed the level of fraud awareness by running an internal survey with its staff members. DG REFORM's expected target ($\geq 70\%$) of positive response rate has been surpassed with 76% correct replies received. Such results show that the DG's awareness about fraud and channels of reporting is well maintained; this is considered to be a good achievement for the DG since the adoption of the new AFS.

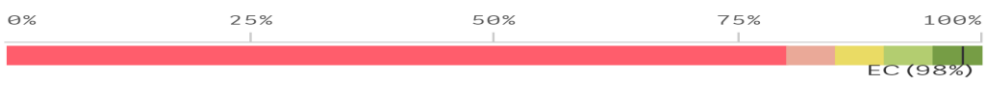
On the basis of the available information, DG REFORM has reasonable assurance that the anti-fraud measures in place are overall effective.

c) Reliability of reporting & accounting

In 2021, DG BUDG performed a **review of DG REFORM's local systems** and financial guarantees. The results of this review conclude that DG REFORM implemented adequate processes and controls for (i) monitoring and reporting on guarantees and (ii) assessing the financial viability of the guarantors to reduce the Commission's financial exposure. Some minor areas of improvement were identified in the area of reporting on guarantees in the central accounting system ABAC/ SAP and implementation/ documentation of certain steps of the financial viability checks carried out on guarantors. There will be no follow up of such recommendations because most counter-balancing controls were assessed as effective.

2. Efficiency of controls

The tables below presents the most relevant indicators on the efficiency of controls and their values in 2021. Annex 4 includes additional efficiency indicators of controls, all showing optimal results.

Indicator	Timely Payments (i.e. payment accepted amount in time (EUR)/payment accepted amount (EUR))						
Category	Efficiency of Controls /Timeliness						
Objective	Ensure efficient processing of payments within the legal deadlines						
Result	<p>DG REFORM achieved 99% compared to the EC result of 98%</p>  <table border="1"> <caption>Performance Data</caption> <thead> <tr> <th>Entity</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>DG REFORM</td> <td>99%</td> </tr> <tr> <td>EC (98%)</td> <td>98%</td> </tr> </tbody> </table>	Entity	Percentage	DG REFORM	99%	EC (98%)	98%
Entity	Percentage						
DG REFORM	99%						
EC (98%)	98%						
Comment	The score of 99% of timely payments has improved compared to last year (98%) and it is considered optimal also compared to the overall Commission's performance.						

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

Other most relevant 'Efficiency' indicators	Values in 2021
Average time taken <u>to inform</u> beneficiaries on grant award decisions (Art 194.2(a) FR), Average time taken <u>to sign</u> grant agreements (Art 194.2(b) FR), referring to grants under the Aid Programme	155 days (176 in 2020, 174 in 2019) 34 days (55 days in 2020, 58 days in 2019)
% of payments processed within the time limit (Financial Regulation Art. 116.1)	98% (95.8 in 2020, 91.4% in 2019)

It is also noted that the COVID-19 pandemic has not particularly affected the efficiency of the DG, mainly for its increasing reliance on alternative digitalised processes already developed for business continuity, efficiency and environmental gains (cf. point 2.2).

Having regard to the completeness and reliability of the factual information and to the initiatives on efficiency implemented in 2021 as described above, the DG concludes positively overall with respect to the efficiency of its controls.

3. Economy of controls

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

In accordance with the corporate methodology applied since 2018, DG REFORM has made estimates of the annual costs of controls for all its relevant control systems, distinguished by ex-ante and ex-post controls (annex 7.4). The estimates reflect DG REFORM available resources and functions in 2021 allocated to the controls of its systems.

DG REFORM **overall cost of controls** is estimated to be around EUR 5.1 million, which is 4.2% of the payments executed in 2021. The estimated costs of controls over the total annual payments remains stable with a slight decrease compared to the last two years (4.8% in 2019 and 4.5% in 2020) considering mainly the progressive increased value of the total payments made in the year (i.e. EUR 121 million; EUR 106.7 million in 2020; EUR 83.2 million in 2019).

The overall estimated costs of controls performed on indirect management operations refer to the **remuneration fees⁵⁸ in 2021** paid to the entrusted entities as part of the Technical Support and the Aid Programme contribution/delegation agreements. In 2021, such fees amount to about EUR 2.2 million, which is 4.3% of the payments made under indirect management. The percentage of this cost of controls has decreased since last year because of the increased value (about additional EUR 10 million) of the payments made under this management mode.

⁵⁸ These fees cover broader elements than only controls in the strict sense.

DG REFORM reaches a positive conclusion as to the proportionality and economy of its controls considering the mitigation of risks under the relevant operations, the frequency and depth of the checks performed under the control strategy and the level of funds managed in 2021. The efficiency of DG REFORM controls is still demonstrated particularly by (i) the high gains in terms of better value for money, deterrence of error/irregularity or fraud, and regulatory compliance, and (ii) the in-sourcing of some audit activities and the overall low costs of external controls. These have allowed DG REFORM to get elements of assurance for the annual expenditure and to identify amounts (almost six times bigger than those detected last year) for future financial recoveries where errors have been found.

4. Conclusion on the cost-effectiveness of controls

Based on the most relevant key indicators and control results, DG REFORM has assessed the effectiveness, efficiency and economy of its control system and reached a positive conclusion on the cost-effectiveness of the controls for which it is responsible. Overall, DG REFORM controls of budget appropriations in 2021 remains cost-effective, considering:

- the overall cost of controls reviewed in 2021, whose ratio to the total payments made has decreased since last year;
- the stable control strategy reflecting the continued type of operations, risks and activities of the service;
- the number and the complexity of Technical Support activities and those carried out under the Aid Programme (cf. part 1);
- the type of controls over the diversity of operations managed;
- that ex-ante controls on procurement and grant/indirect management are mandatory and a significant proportion of the appropriations concerned would be at risk if they were not in place;
- the cost-effective functioning of the ex-ante and ex-post controls and the generated financial benefits (e.g. detected errors for recoveries, rejected amounts claimed; credit notes issued; prevented costs of legal proceedings) and non-quantifiable benefits, including better value for money, deterrence, mitigation of reputational risks, efficiency gains (stemming for instance from the e-procedures) and regulatory compliance;
- the marginal value of late interest payments compared to the high value of payments made; the very high percentage of timely payments and other efficiency indicators including on the implementation of the annual budget (annex 4);
- the lack of fraud cases and the positive audit results not resulting in any financial loss or reputational damage;
- DG's increasing corrective capacity demonstrated by the amounts prevented/recovered during the year, the errors found in the year in the area of grant direct management under the SRSP (legacy programme of DG REFORM) and leading to further financial recoveries and the financial corrections made as part of the ex-ante controls;

- the positive management declarations from the entrusted entities providing elements of assurance on the use of the received funds and the activities carried out during the year.

2.1.2. Audit observations and recommendations

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

In 2021 the European Court of Auditors (ECA) reviewed some DG REFORM contracts in the context of a multi-DG audit on the management of external consultancies. At the date of writing this report, the reporting audit activities are not yet completed.

The ECA recommendation received and partially accepted in the context of the **audit⁵⁹ on the effectiveness of the Commission's actions to build the Capital Markets Union (CMU)⁶⁰** is on track and open for implementation before the end of 2022.

The Internal Audit Service (IAS) concluded in December an **audit on DG REFORM processes for the delivery of the technical support to Member States** (cf. part 1 - specific objective 1.1) with one 'very important' recommendation (cf. part 1 - specific objective 1.1). This concerns the finalisation of the e-manual of procedures and the revised JIRA workflows, the development of a common IT solution for project monitoring, the improvement of data completeness and reliability, and the implementation of a plagiarism detection solution.

The implementation of the four 'important' audit recommendations following the **IAS audit in 2020 on DG REFORM processes for coordinating the technical support to Member States** is ongoing (cf. actions taken under part 1 - specific objective 1.3). The findings from the IAS audits and the pending actions related to the previous recommendations have no material/reputational impact on the achievement of the internal control objectives and therefore on the annual assurance.

Based on all work undertaken by the Internal Audit Service in the period 2019-2021⁶¹, namely the audits mentioned above, and taking into account that:

- Management has accepted all the recommendations issued in 2019-2021;
- Management has adopted action plans to implement all the accepted recommendations. The IAS considers that these action plans are

⁵⁹ Special Report No 25/2020: Capital Markets Union – Slow start towards an ambitious goal.

⁶⁰ The CMU was launched in June 2015 as a major EU initiative (part of the "Juncker Plan") to lay the building blocks of an integrated capital market in the EU by 2019.

⁶¹ Final audit reports issued in the period 1 February 2019 – 31 January 2022.

adequate to address the residual risks identified by the auditors;

- The implementation of these action plans is monitored through reports by management and follow-up audits by the IAS;

the IAS concludes⁶² that the internal control systems in place for the audited processes are effective, except for the observations giving rise to the 'very important' recommendation (cf. annex 7.5). This recommendation needs to be addressed, in line with the agreed action plan.

2.1.3. Assessment of the effectiveness of internal control systems

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

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

In 2021, DG REFORM continued to increase the level of awareness of the Internal Control Framework with presentations to management and staff about the control requirements, the annual control monitoring criteria, and other dedicated topics (e.g. the procedure on 'exceptions and non-compliance reporting', the EC ethics and integrity standards and rules; etc.). Furthermore, the DG's internal control monitoring tool has also been regularly maintained to monitor, capture and assess the business owners' evidence about the existence and functioning of controls, including those linked to the annual indicators.

The 2021 overall annual assessment of the internal control system has included the following main assessments exercises performed on:

- the control actions carried out by the DG in 2021 in respect of the IC principles and the results of the internal-control monitoring criteria established in the context of the Management Plan 2021. These results stem from the internal-control regular checks, ad-hoc/annual reviews and surveys, including the deficiencies/other matters communicated to management for timely correction;
- the non-compliance events reported, the derogations and exceptions requested during the year;
- the (1) 'very important' audit recommendation received in 2021 and the actions implemented to address previous 'important' recommendations (cf. part 1 and section 2.1.2);
- the state of implementation of the mitigating actions and recoveries made by the contracting authority to address the financial reservation made on grant direct

⁶² IAS limited conclusion as a contribution to the 2021 Annual Activity Report – 14 February 2022.

management (under ESIF and SRSP funds) in the Annual Activity Report 2020 (cf. annex 7.3) and the results of the annual ex-post controls;

- the state of implementation of the remedial actions to address the recommendations made as a result of the ex-post controls in 2020 and the risks identified in 2021;
- the results of the corporate indicators reported in annex 4.

Based on the assessment of the above-mentioned results, DG REFORM has assessed⁶³ its internal control system during the reporting year and has concluded that it is effective and the components and principles are present and functioning well overall. The improvements highlighted last year (e.g. systematic handovers prepared; publication of data protection records and use of privacy statements; a new business continuity plan, local HR and anti-fraud strategy established) have been made as expected. Nonetheless, some further improvement/acceleration of activities is needed in the following main domains: continuing mandatory training on Ethics and Integrity requirements for all staff; the finalisation of the DG's IT/communication strategies/plans; completion of the SRSP ex-post evaluation, and, lastly, the reduction of the persistent encoding errors in the main IT tool used by the DG for reporting on the technical support projects. This last aspect was also highlighted in the most recent IAS report, despite the acknowledged reinforced training to all relevant staff, quality controls and regular reports ensured during the year (cf. annex 7.5)

The impact of the deficiencies identified is considered as 'minor' because the remedial actions are ongoing, as well as some of them are counterbalanced by other control results under the relevant principles (cf. annex 8). As a result, the residual risk related to the above-mentioned issues does not affect the achievement of the internal control objectives and the assurance provided in this report.

2.1.4. Conclusions on the assurance

This section reviews the assessment of the elements already reported in the previous sections above and the sub-conclusions already reached. It draws an overall conclusion to support the declaration of assurance. The information reported in section 2.1 stems from the results of management - and auditors - monitoring contained in the reports listed. These reports result from a systematic analysis of the evidence available. This approach provides sufficient guarantees as to the completeness and reliability of the information reported and results in a comprehensive coverage of the budget delegated to the Director-General of DG REFORM.

Legality and Regularity

DG REFORM concludes positively on the effectiveness of its control results regarding the legality and regularity of its operations in 2021. Having regard to the errors above the

⁶³ Methodology established in the "Implementation Guide of the Internal Control Framework of the Commission" for carrying out the internal control assessment process.

materiality level, still emerging in the limited area of non-pillar-assessed grants under the funds of Technical Support (SRSP and ESIF), DG REFORM considers that:

- the error rate in this specific area is linked to a key modality of the programme (notably the grant reimbursement mechanism based on eligible actual costs and the related risk of errors in cost reimbursement claims submitted by the beneficiaries). However, while the error rate persists, the financial impact of the detected errors continues to be very low in monetary terms (EUR 0.14 million), as well as no reputational risks are identified;
- DG REFORM has implemented all possible suitable ex-ante and ex-post controls on this and other areas of expenditure, to the extent that they remain cost-effective and do not similarly affect the implementation of the new (TSI) programme. In particular, in 2021 DG REFORM has ensured that grant NPA beneficiaries received clear instructions for submitting claims based on the actual costs. In addition, the audit results were also shared within staff to capitalise on the annual lessons learned and promote better understanding for the implementation of grants. (cf. annex 7.3).
- DG REFORM corrective capacity (corrections made ex-ante and recoveries made following the annual ex-post controls) is progressively increasing, as well as DG REFORM annual audit activities are continued. This confirms that DG REFORM remains attentive to respect the legality and regularity of its operations and committed to protection of the financial interests of the Union.
- the value of payments under this specific segment of expenditure marked by errors is progressively decreasing over the years (e.g. EUR 7.6 million in 2019, EUR 6.2 million in 2020 and finally EUR 3.7 million in 2021) and it accounts (in monetary terms) only for one third of all the payments made under the Technical Support grant direct management. (cf. annex 9 Table X- Estimated risk at payment and at closure).

As a result, DG REFORM is now in the position to apply the 'de-minimis rule'⁶⁴ because, the value of the payments made under direct grant management to non-pillar-assessed organisations under Technical Support funds is 3% of the payments made in 2021, as well as the exposure of the amounts at risk under the relevant expenditure⁶⁵ is of only EUR 143 754.20.

DG REFORM concludes positively on the effectiveness of its control results regarding the legality and regularity of its operations in 2021 and lifts its financial reservation on direct grant management with non-pillar assessed beneficiaries under the Technical Support (SRSP and ESIF funds).

⁶⁴ The 'de minimis rule' introduced in the 2019 AAR instructions provides that: quantified reservations related to residual error rates above the 2% materiality threshold are deemed **not substantial** if they are related to segments representing, in €, **less than 5%** of a DG's portfolio **and** if their financial impact is **lower than EUR 5 million**. In such cases, reservations are no longer to be reported.

⁶⁵ Payments made for Technical Support under the non-pillar assessed grants, minus pre-financing, plus clearings.

Recapitulative Table

Reservation Title	Financial Impact (in m EUR)		Residual error rate 2021*	Evolution
	2020	2021		
Direct management – grants with non-pillar assessed beneficiaries under Technical Support (SRSP and ESIF funds).	0.12	0.14	3.26%	Lifted -Residual error rate above the materiality threshold since 2018-2020. The financial reservation is lifted because this is no longer substantial in application of the 'de-minimis' rule.

Sound financial management

Considering the ex-ante and ex-post controls in place, the key indicators and the 2021 control results on effectiveness, efficiency and economy, DG REFORM can conclude positively on the cost-effectiveness of its controls and overall on the achievement of the objective on sound financial management. (Cf. 2.1.1).

Reliability of reporting & accounting

The results of the review of DG REFORM's local systems and financial guarantees confirmed that DG REFORM implemented adequate processes and controls with only minor recommendations which will not be followed up since the counter balancing controls were assessed as effective.

Fraud prevention, detection and correction

No instances of fraud were reported/investigated in 2021. Adequate controls were implemented to prevent and detect fraud and irregularities. The staff awareness about anti-fraud remains high (Cf. 2.1.1).

Audit results

The IAS concluded that the internal control systems in place for the audited processes are effective except for the 'very important' recommendation which is due for implementation at the latest by mid-2023 (Cf.2.1.2). Progress is being made in the implementation of other audit recommendation which at present are not overdue for more than 6 months.

Effectiveness of the internal control systems

Finally, DG REFORM concludes that its internal control system is effective and that the components and principles are present and functioning as intended, with some improvements needed. The deficiencies identified do not lead to assurance-related concerns, because the expected improvements are ongoing (Cf.2.1.3).

In conclusion, based on the elements reported above, management has reasonable assurance that, overall, suitable controls are in place and working as intended; risks are being appropriately monitored and mitigated; and necessary improvements and reinforcements are being implemented. The Director General, in his capacity as Authorising Officer by Delegation has signed the Declaration of Assurance.

2.1.5. Declaration of Assurance

I, the undersigned,

Director-General of DG REFORM

In my capacity as authorising officer by delegation

Declare that the information contained in this report gives a true and fair view⁶⁶.

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

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

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

Brussels, 30.03.2022

Mario NAVA

⁶⁶ True and fair in this context means a reliable, complete and correct view on the state of affairs in the DG.

2.2. Modern and efficient administration – other aspects

2.2.1. Human resource management

In 2021, DG REFORM continued its best efforts to deploy its available staff resources in the most effective way in support of operational activities and related core business.

DG REFORM contributed to the Commission's wide targets on female appointments in middle and senior management positions, by continuing promoting **gender balance** in recruitment of middle and senior management. In this context, DG REFORM completed its structural re-organisation by appointing one additional female senior manager and one middle manager. Many activities were organised by the local Female Talent network to provide career development support to eligible female candidates in management positions.

DG REFORM focused its activities on delivering a modern and efficient human resources strategy, aligned with the corporate one. The local HR strategy⁶⁷ was adopted in the first semester of the year; the implementation of the annual actions surpassed the estimated target mentioned in the Management Plan 2021.

As a recently new and relatively small Directorate-General, DG REFORM attaches great value to staff engagement and consultation through **internal communication**, increasing synergies within the DG and improving staff wellbeing. Despite the continued remote-working conditions imposed by the COVID-19 pandemic, these objectives were pursued by organising regular 'all staff meetings', establishing a brand new intranet website, management debrief videos and a good number (exceeding the planned annual targets) of staff-led initiatives, such as 'knowledge hours', lunchtime information events or tailor-made training sessions. DG REFORM internal communication strategy is still pending for a lack of resources devoted to such specific task, however the above mentioned activities contribute to maintain **staff engagement, information and knowledge management**.

DG REFORM also revamped its induction sessions for newcomers to ensure their fast and effective integration in the organisation; exit interviews with departing staff were organised to learn and make improvements, where necessary. DG REFORM staff engagement index (73%) remains high and stable compared to the EC average (72%) and the staff survey results (74%) of 2018.

In view of the move in 2022 to new office premises, DG REFORM established a working group responsible to support staff during the transition to new working arrangements and the general change management process. Finally, in the context of the persistent pandemic, the increased workload connected with the new Programme and the still limited staff resources available, DG REFORM launched a Business Process Simplification initiative to maximise efficiency in internal procedures with practical solutions (e.g. revised templates,

⁶⁷ Including actions to ensure staff engagement and managerial excellence learning and development and talent management through coaching, more inclusive recruitment, better workforce planning and staff wellbeing.

guidance, training, workshops, automatic documentation/reporting (IT) features) and thus help to alleviate the burden on its current staff resources.

2.2.2. Digital transformation and information management

In the field of **digital transformation**, DG REFORM established a local IT governance framework aligned with the corporate IT governance platforms. The resulting IT Steering Committee oversaw the DG's IT achievements, investments, risks and roadmap. In 2021, DG REFORM also initiated a study to identify paths towards the modernisation of the DG's information systems and processes. This study will also ensure that DG REFORM's existing and future digital solutions will be secure, user-centric and data-driven.

In 2021 DG REFORM continued to invest in the improvement of its information systems such as Jira (database covering the operational implementation of the Technical Support to Member States), QlikSense (real-time reports and dashboards) and its Member State portal which support its main business processes. These improvements ensure easier and more consistent monitoring, reporting and updates of operations across the DG and other Commission services. The planned DG REFORM Digital Solutions Modernisation Plan is subject to the finalisation of a study mentioned above and the QlikSense – automatic reports generation could not be delivered due to the delayed availability of the technical platform. The activity is reset to the first quarter of 2022.

Quality checks, reports to management and training activities to all relevant newcomers were performed regularly to maintain the information systems and reduce to the minimum the number of encoding errors. However, although these have decreased (%) since the beginning of the year, the prevention and correction of encoding errors remains a priority for the DG.

DG REFORM contributed to the implementation of the principles of the digital strategy by successfully on boarding two pilot technical support projects onto the eProcurement programme to prepare for widespread adoption in 2022. As part of the efficiency initiatives, eGrants, is a solution systematically used for all new grant procedures. DG REFORM has initiated a study to identify paths towards the modernisation of its digital solutions. The results of the study should lead to the adoption or development of systems, which are compliant with the European Commission's Digital Strategy principles. DG REFORM is also progressively working to ensure compliance of its key data assets with corporate data governance principles; this will be done particularly within the scope of the digital modernisation of its main information system starting in 2023. (cf. annex 10).

In the area of **data protection**, in 2021 DG REFORM continued to implement awareness raising activities about data protection implementing rules⁶⁸ among its staff in order to achieve the targets set in the Commission's Data Protection Action Plan for 2024. The target of five trainings per year was largely achieved, with seventeen training sessions

⁶⁸ Commission Decision (EU) 2020/969 of 3 July 2020 laying down implementing rules concerning the Data Protection Officer, restrictions of data subjects' rights and the application of Regulation (EU) 2018/1725 of the European Parliament and of the Council, and repealing Commission Decision 2008/597/EC.

delivered at management meetings; unit meetings; assistants' network meetings; or targeting the HR business correspondent team; newcomers and all DG REFORM staff.

Furthermore, the DG published six specific data records on the Register of the Data Protection Officer to support the DG's operations and the related data processing (cf. annex 10). The results of a sampled review on the DG REFORM systematic use of privacy statements as part of its activities (e.g. conferences, call for technical support requests, etc.) are overall satisfactory.

2.2.3. Sound environmental management

DG REFORM has contributed to the Commission's commitment to sound environmental management by **raising staff awareness** about this Commission's priority. Considering the teleworking activities, the DG's plan to establish an internal network of green ambassadors was re-launched in early 2022. However a good number of green targeted messages - surpassing the planned ones- were published to share corporate information for instance on waste management; climate change, Green Public Procurement in public buildings, and corporate annual initiatives.

In line with the Commission action plan to implement the objective of the Green Deal, in 2021 DG REFORM has also maintained a high percentage (96%) of registered documents approved in full electronic mode. 100% and 78% of the contracts/agreements in 2021 respectively under the Technical Support and the Aid programme were signed with Qualified Electronic Signature (QES). This has also contributed to faster processing of files in DG REFORM, as an alternative to the use of blue-ink signatures.

The results of the output indicators related to this section are available under annex 10.