



# **2018**

# **Annual Activity Report**

**DG Interpretation**



# Table of Contents

<b>THE DG IN BRIEF</b>	<b>3</b>
<b>EXECUTIVE SUMMARY</b>	<b>4</b>
A) KEY RESULTS AND PROGRESS TOWARDS THE ACHIEVEMENT OF GENERAL AND SPECIFIC OBJECTIVES OF THE DG (EXECUTIVE SUMMARY OF SECTION 1) .....	4
B) KEY PERFORMANCE INDICATORS (KPIs) .....	6
DG INTERPRETATION ALSO CARRIES OUT A BIENNIAL CUSTOMERS' SATISFACTION SURVEY ON SUPPORT TO CONFERENCES, MEETINGS AND EVENTS. THE LATEST TO DATE ALSO TOOK PLACE IN 2017. THE OVERALL SATISFACTION RATE OF MEETING PARTICIPANTS REMAINED AT 90% AND THUS CONSIDERABLY ABOVE THE TARGET OF 85%. .....	8
C) KEY CONCLUSIONS ON FINANCIAL MANAGEMENT AND INTERNAL CONTROL (EXECUTIVE SUMMARY OF SECTION 2.1) .....	9
D) PROVISION OF INFORMATION TO THE COMMISSIONER .....	9
<b>1. KEY RESULTS AND PROGRESS TOWARDS THE ACHIEVEMENT OF GENERAL AND SPECIFIC OBJECTIVES OF THE DG</b>	<b>10</b>
<b>2. ORGANISATIONAL MANAGEMENT AND INTERNAL CONTROL</b>	<b>16</b>
2.1 FINANCIAL MANAGEMENT AND INTERNAL CONTROL .....	16
2.1.1 CONTROL RESULTS .....	17
2.1.2 AUDIT OBSERVATIONS AND RECOMMENDATIONS .....	29
2.1.3 ASSESSMENT OF THE EFFECTIVENESS OF THE INTERNAL CONTROL SYSTEMS .....	30
2.1.4 CONCLUSIONS ON THE IMPACT AS REGARDS ASSURANCE .....	31
2.1.5 DECLARATION OF ASSURANCE .....	32
<b>DECLARATION OF ASSURANCE</b>	<b>33</b>
2.2 OTHER ORGANISATIONAL MANAGEMENT DIMENSIONS .....	34
2.2.1 HUMAN RESOURCES .....	34
2.2.2 BETTER REGULATION PRINCIPLES .....	34
2.2.3 INFORMATION MANAGEMENT ASPECTS .....	34
2.2.4 EXTERNAL COMMUNICATION ACTIVITIES .....	35

## THE DG IN BRIEF

The mission of DG Interpretation (DG SCIC) is to facilitate the democratic EU decision-making process, through provision of high quality conference interpretation, corporate conference organisation services and meeting room management, including audio-visual equipment and services.

DG Interpretation assigns interpreters on average to 40 meetings per day or approximately 10 000/year, ranging from bilateral encounters between high-ranking officials in consecutive interpretation to high-level conferences in simultaneous interpretation into 23 languages of the EU and non-EU languages. DG Interpretation sends its interpreters to meetings in Brussels as well as around Europe and beyond, and covers not only EU languages but also all the main international conference languages and even sign language.

DG SCIC thereby serves not only the Commission but also other Institutions like the Council of the European Union, the European Economic and Social Committee, the Committee of the Regions, the European External Action Service, the European Investment Bank, as well as European offices and agencies. In this context and in order to constantly improve the quality of the interpretation provided and to cater for the availability of adequate numbers of staff and freelance interpreters through its succession planning, DG Interpretation provides continuous professional support for its interpreters and cooperates with universities, both in the EU, in candidate and other third countries.

Out of the total staff, almost 85% are conference interpreters or work in areas directly related to interpretation such as professional support and meeting preparation, programming, managing freelance interpreters' accreditation, recruitment and payments, as well as helping train future interpreters. A further 10% of staff members are assigned to corporate domain services in the area of conferences and meeting room management and the remaining staff are assigned to corporate management tasks as well as policy strategy, coordination and communication.

In addition, DG Interpretation manages an inter-institutional list of about 3000 free-lance interpreters spread all over the world, out of which around 1000 interpreters work alongside its permanent staff on a regular basis, as they are based in Europe and cover the most commonly requested languages.

Following the Communication adopted in 2016 (*Synergies and Efficiencies Review – New Ways of working*), DG Interpretation has broadened its core activities which are now based on three integrated pillars – interpretation, conference management and meeting room management. It is rolling out its technological solutions for multilingual communication in meetings, including a framework contract for audio-visual equipment and services, and its daily technical support to new facilities across Commission DGs. It is also structuring and enhancing the Commission's conference organisation capabilities, in particular with the management of the corporate "Events Database" and the launch of new innovative framework contracts for conference organisation that will be put at the disposal of all DGs.

DG SCIC operates under administrative expenditures (Heading 5), with a significant share of its budget accruing from revenues from interpretation services users outside the Commission (in 2018, 68.18% of total payment appropriations of EUR 83.49 million). These services operate also under "heading 5".

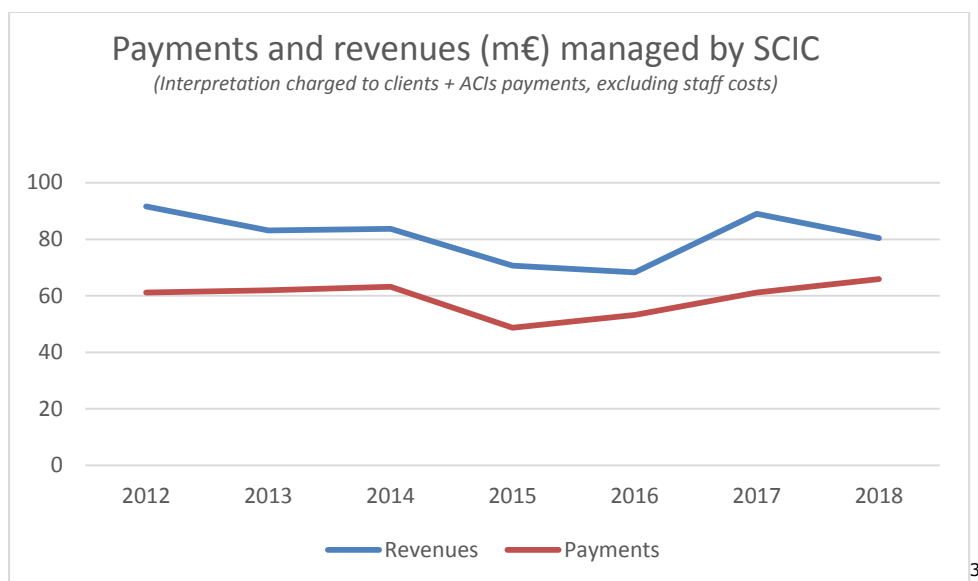
With its demand-driven business model dependant on the institutions' political cycle and priorities, DG SCIC's first challenge is to ensure optimal use of available interpretation resources, i.e. staff interpreters and non-permanent interpreters. In line with its integrated strategy and domain leadership, another challenge is to further develop DG SCIC's corporate role in providing high quality and modern conference organisation and meeting room management services across the Commission, with limited resources and in close partnership with central services (BUDG, HR, SG) and the other corporate domain leaders. Finally, as a public administration aiming to deliver services more efficiently, DG Interpretation needs to embrace digital transformation and reap its benefits.

## EXECUTIVE SUMMARY

The Annual Activity Report is a management report of the Director-General of DG Interpretation to the College of Commissioners. Annual Activity Reports are the main instrument of management accountability within the Commission and constitutes 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 Treaties<sup>1</sup>.

### a) Key results and progress towards the achievement of general and specific objectives of the DG (executive summary of section 1)

2018 has been an intense year for interpreters, who provided 209 602 interpretation slots (i-slots<sup>2</sup>). Compared to 2017, the global output increased by 4%. This trend was spread over all EU languages reflecting a boost in the number of meetings organised and a broadening of language regimes.



The above chart shows the evolution of the revenue generated by the invoicing of interpretation services and the total of payments executed by DG Interpretation in recent years.

For 2018, the changes in the demand pattern for interpretation of the Council, SCIC's major client, resulted in a reduction of revenue generated by reprogramming costs by more than EUR 5 million. The chart also shows that expenditure has been increasing since 2015 because more non-permanent interpreters have to be hired to satisfy growing demand with constantly reduced staff interpreters.

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

<sup>2</sup> DG Interpretation invoices its external clients for the interpretation provided. The billing unit in use (i-slot) represents roughly half a day of an interpreter. The cost is calculated by dividing the expected remuneration costs for staff and non-permanent interpreters (ACIs) and indirect costs by the expected volume of interpretation to be provided. When demand is significantly different from what was expected at the time the i-slot price was set (January n-1), DG Interpretation's budget is no longer balanced, as most costs are fixed.

Although DG Interpretation sometimes reached the limits of its delivery capacity for some languages, it was able to globally satisfy the demand to last year's level of 96%.

To take full advantage of its expertise and manage knowledge in a more modern and dynamic way, and to enhance its status as standard setter, in 2018 DG Interpretation launched the Knowledge Centre on Interpretation 1.0. The Knowledge Centre for Interpretation has a vocation to become the single go-to space for (future) interpreters, industry and academia to manage and exchange knowledge, create synergies and disseminate globally followed standards on interpretation globally.

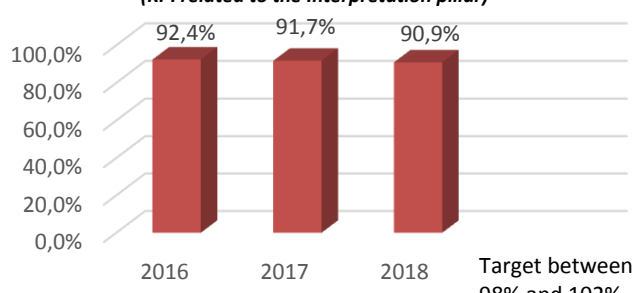
The DG further realised a number of significant achievements in the Synergies and Efficiencies Review: the new Corporate Events Database is up and running, the Network of Conference Correspondents functions well, a Framework Contract for Conference Assistants was signed and conferences with a link to Commission priorities are registered in the database and receive support.<sup>4</sup> Furthermore, the competitive dialogue for the Commission's new Conference Centre is about to be completed. In addition, eight rooms have been added to the corporate pool managed by DG Interpretation, two cooperation agreements have been signed to provide support and maintenance services for non-corporate rooms, the Catalogue of meeting room services has been published and the Inventory of all Commission meeting rooms in Brussels has been established. All these achievements will lead to a more cost-effective use and a higher occupancy rate of corporate meeting rooms through a better overview and improved distribution of meetings.

Finally, DG Interpretation engaged in 2018 in Brexit preparedness by actively working on a number of contingency measures in the DG's remit in relation to the withdrawal of the UK from the EU, e.g. the financing of interpretation in Council meetings.

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<sup>4</sup> See more details in SER Communication C(2019)2329 and the related staff working document.

## b) Key Performance Indicators (KPIs)

Result/Impact indicator (description)	Target (or milestones)	Latest known results as per Annual Activity Report								
<div>KPI 1: Coverage of i-slot cost by i-slot price (%)</div> <div>(Source: Budget &amp; Finance Unit)</div>	<div>Coverage of i-slot cost by i-slot price</div> <div>(KPI related to the Interpretation pillar)</div> <div><table><thead><tr><th>Year</th><th>Coverage (%)</th></tr></thead><tbody><tr><td>2016</td><td>92,4%</td></tr><tr><td>2017</td><td>91,7%</td></tr><tr><td>2018</td><td>90,9%</td></tr></tbody></table><div>Target between 98% and 102%</div></div>		Year	Coverage (%)	2016	92,4%	2017	91,7%	2018	90,9%
Year	Coverage (%)									
2016	92,4%									
2017	91,7%									
2018	90,9%									

The final calculation of the 2018 real i-slot cost (being a lump sum unit cost for a half day/interpreter) is EUR 537 against a nominal i-slot price set at 488€. The cost of the i-slot is thus 9% higher than the price charged to the paying customer.

The following key factors are responsible for this unbalance:

**Lower income.** Although interpretation output globally increased by 4%, the i-slots accounted for invoicing purposes<sup>5</sup> decreased by 1.2% in total. The difference is the “reprogramming cost”, i.e. interpretation not provided and invoiced because users cancel their request so late that DG Interpretation can no longer reassign resources.

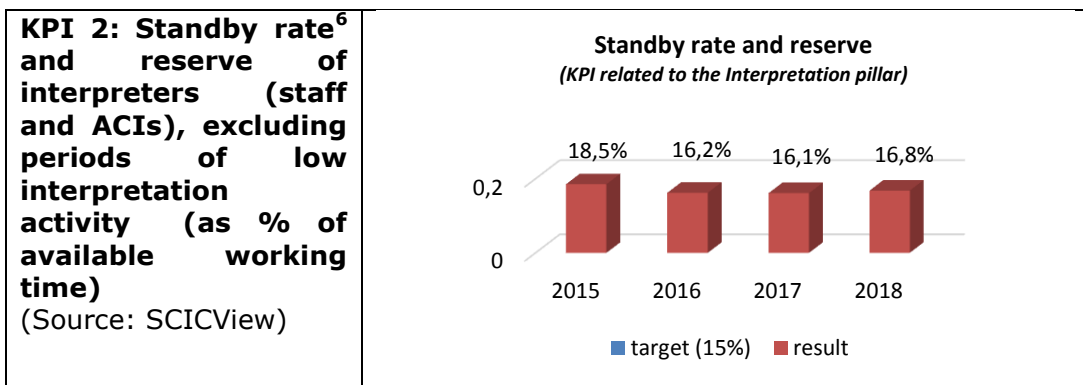
DG Interpretation observed a sharp, sudden and continuous drop in the reprogramming costs invoiced to the Council, down by some 50%. This decrease reflects a substantial shift in the patterns of cancellations and demand management from the Council, which resulted in a gap of around EUR 5 million of revenues compared to 2017.

The cost model is based on the principle of the non-profit rule and the underlying assumption that demand is stable, also as regards the share of reprogramming costs in the total invoiced amounts, as it was the case in the last decade. Such a sudden change in demand patterns cannot be absorbed naturally by the cost model.

**Increased recruitment costs.** Without additional staff interpreters available, this rise in demand could only be met by recruiting more free-lance interpreters (7% increase of contract days), who provided 53% of total interpretation (compared to 49% in 2017). That brought free-lance interpretation costs up 10% compared to 2017, while the average daily cost for hiring a free-lance increased by only 1%.

Further details are to be found in annex 12.

<sup>5</sup> Interpretation invoiced to external clients is funded from Heading 5 (Administrative expenditure)



In order to function successfully and meet demand, DG Interpretation needs to maintain a sufficient level of available resources at all times.

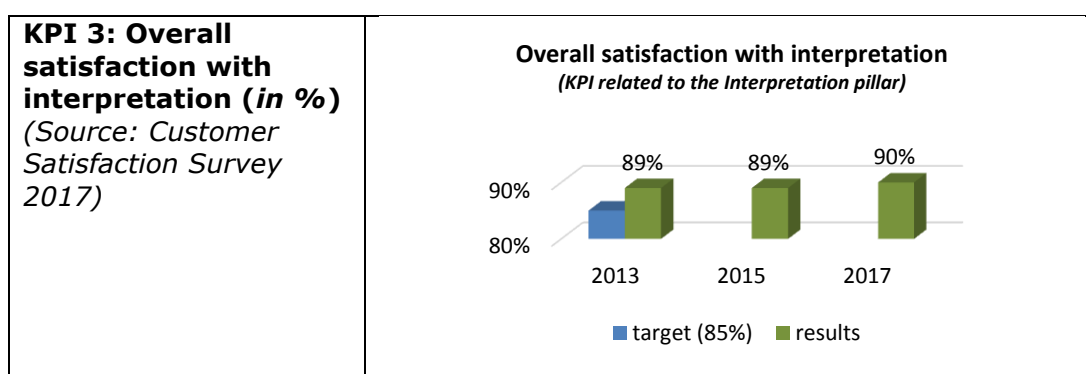
The **overall standby rate in 2018 remained stable** at a level similar to the previous two years (16.8%) and very close to the level that the DG considers necessary for its proper functioning. It is an aggregate indicator, which captures the following operational situations:

- 10% of time on standby is generated by DG Interpretation's legal obligations arising from the application of the Agreement on the interpreters' working conditions, which adapts the Staff regulation to the specific circumstances of interpretation. In this framework, interpreters can be assigned to interpretation activities for up to 18 sessions (a session corresponds to roughly half a day) over a two-week period. If the maximum number of sessions is reached, interpreters cannot be assigned to additional interpretation activities during this period. This time is used by interpreters to carry out professional activities such as preparing their meetings, learning and maintaining languages, preparing speeches for training, competitions and tests, working on terminology etc.
- DG Interpretation also expresses as time on standby the operational reserve, which is needed to respond to unscheduled last minute requests and replacement of unexpectedly unavailable interpreters.
- Finally, following demographic changes and staff cuts, fewer staff interpreters are available and freelance interpreters are more in demand and have to be recruited in advance. A share of standby is due to late cancellations of meetings by organisers or to meetings being called off earlier than planned. When subtracting from total aggregate standby (or availability for programming) the estimated aggregate standby caused by last minute cancellations and meetings finishing early, the "net standby" is 11.2%.

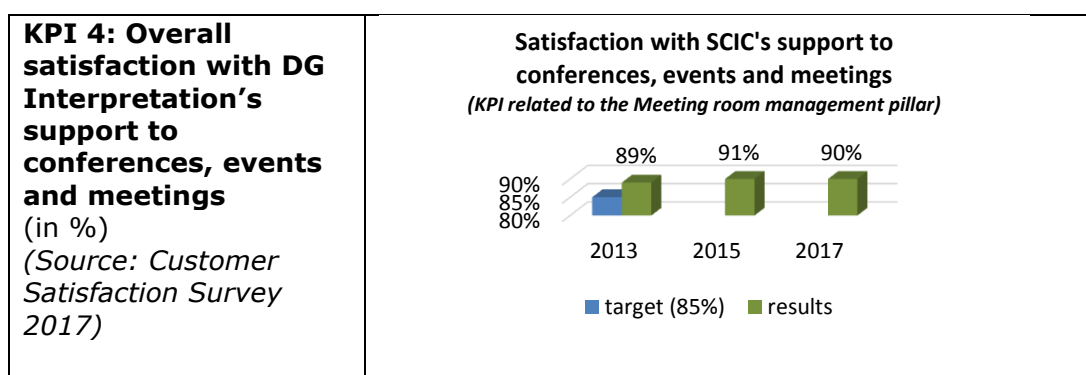
It has to be noted that the Service Level Agreements in place between DG Interpretation and its paying customers allow for non-invoiced full cancellation of meetings or modification of language regimes until two weeks before a meeting to enable them to adapt interpretation services to changing political priorities. This provision, which ensures maximum flexibility for customers, is likely to lead to an increased standby rate of interpreters in particular from less used languages. Late modifications of language regimes often make reprogramming of these interpreters impossible within a two-week deadline. As DG Interpretation invoices cancellations which occur after the two-week cut-

<sup>6</sup> The standby indicator is defined in DG SCIC's Strategic Plan and Management Plan. It includes the standby of both staff interpreters and ACIs and considers only the days on which activity is above 150 interpreter-days provided. Standby is a job-specific term to define the working time during which staff interpreters and ACIs are not assigned to interpretation or other linked professional activities (travelling for missions, working as jury members for competitions and accreditation tests etc.), which by definition have to be scheduled in their programme.

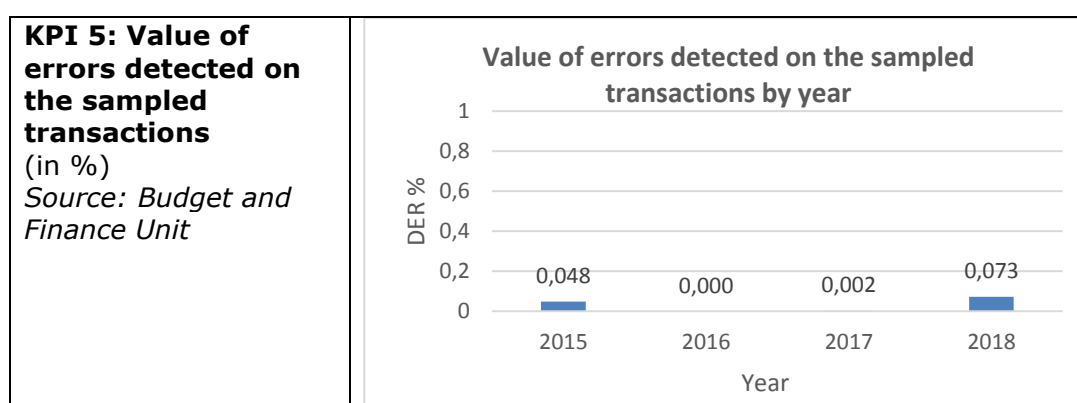
off point to the paying customers, the financial risk is partially transferred to them.



DG Interpretation carries out a **biennial customers' satisfaction survey on satisfaction with interpretation**. The most recent one took place in 2017 and the overall satisfaction with the quality of interpretation reported by customers reached 90%. This result reflects the constant efforts to provide high quality interpretation, thus ensuring multilingual communication in meetings serviced by DG Interpretation.



DG Interpretation also carries out a **biennial customers' satisfaction survey on support to conferences, meetings and events**. The latest to date also took place in 2017. The overall satisfaction rate of meeting participants remained at 90% and thus considerably above the target of 85%.





The error rate for 2018 for ex-post controls on payments to freelance interpreters was 0.073%, therefore below the indicated threshold of 1%.

### **c) Key conclusions on Financial management and Internal control (executive summary of section 2.1)**

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

The Commission has adopted a set of internal control principles, based on international good practice, aimed to ensure the achievement of policy and operational objectives. The financial regulation requires that the organisational structure and the internal control systems used for the implementation of the budget are set up in accordance with these principles. DG Interpretation has assessed the internal control systems during the reporting year and has concluded that the internal control principles are implemented and function as intended. Please refer to AAR section 2.1.3 for further details.

In addition, DG Interpretation has systematically examined the available control results and indicators, as well as the observations and recommendations issued by internal auditors and the European Court of Auditors. These elements have been assessed to determine their impact on the management's assurance as regards the achievement of control objectives. Please refer to Section 2.1.3 for further details.

In conclusion, management has reasonable assurance that, overall, suitable controls are in place and working as intended; risks are being appropriately monitored and mitigated; and necessary improvements and reinforcements are being implemented. The Director General, in her 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 the assurance declaration have been brought to the attention of Commissioner Oettinger, responsible for Budget and Human Resources.

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

DG Interpretation contributed to the achievement of General Objective "To help achieve the overall political objectives, the Commission will effectively and efficiently manage and safeguard assets and resources, and attract and develop the best talents" by

- providing conference interpreting services to ensure that meeting participants can communicate effectively
- being the Commission's domain leader for corporate meeting room management and
- being the domain leader for corporate conference and event management

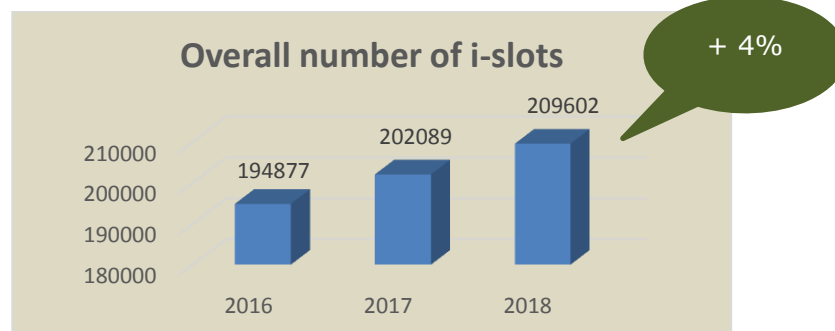
## ➤ Interpretation

Increased demand led to an increase in the provision of interpretation by 4% ...

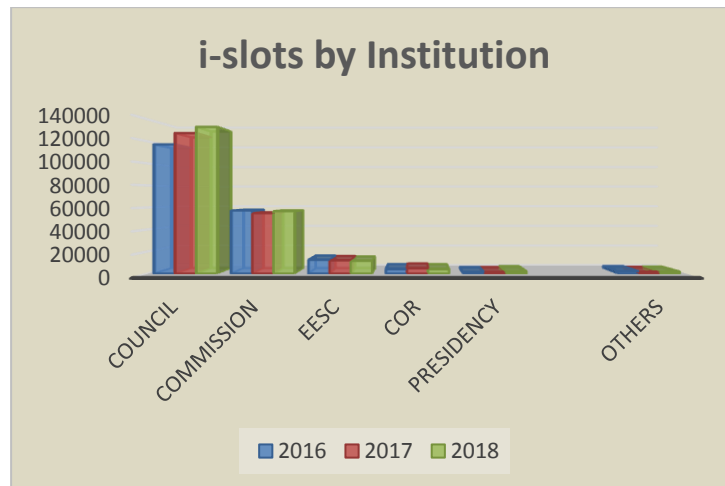


*(linked to Specific Objective 1: Interpreting services meet our clients' demand and are cost effective)*

As from April 2018, DG Interpretation has dealt with steadily increasing demand from its key customers. In the second half of 2018, an important factor in this increase has been the desire by the EU institutions to push through numerous legislative acts resulting from the Juncker Commission's priorities still to be adopted before the end of this mandate and the new European Parliament election. A further element of the increased demand was DG SCIC's targeted outreach to all Member States' Permanent Representations and possibly a Brexit related higher awareness of their linguistic identity among Member States. There were also more frequent leaders' meetings and corresponding preparatory work in the Council that required interpretation.



Activity in the Council, which represents almost two-thirds of DG Interpretation's overall output, rose by 4% in 2018, confirming an upward trend since 2016; an increase of almost 14% in the last three years. For the first time in many years, interpretation activity in the Commission increased as well in 2018, up 3% compared to 2017, placing additional pressure on resources, with the Commission representing more than 25% of total output.



As less interpreting staff are available and the size of the freelance pool in a number of important languages decreased due to demographic changes, the service had to make considerable efforts to match interpretation resources with requests for interpretation. This happened in a context where DG Interpretation, who is demand driven, had very little influence on the effective distribution of activity throughout the year, and often had to react to late requests, many of which carry political imperatives.

Freelance recruitment remained the key measure available to secure sufficient interpreting resources. DG Interpretation undertook two additional recruitment waves at the beginning of 2018 to increase available resources for the whole year, while concentrating on the languages and periods where it estimated that demand would be the highest. By doing so, it took added risk that recruitment overshoots actual demand, which would leave the service with high levels of standby.

Nevertheless, the standby level in 2018 has only increased slightly compared to 2017 (up 0.7%), suggesting that estimates were relatively accurate and that the service was able to cope with the new approach to interpreting requests in the Council, described under KPI 2. Nonetheless, among the five more widely used languages, English and French interpreters stood well below the target of 15%, while German (15.2%), Italian (15.4%) and Spanish (16.8%) were only slightly above.

DG Interpretation engaged in 2018 in Brexit preparedness by actively working on a number of contingency measures in the DG's remit in relation to the withdrawal of the UK from the EU. In particular, by reaching out to Member States Permanent Representations and cooperating closely with the Council Secretariat on the provision of statistical data and detailed analyses, DG Interpretation successfully contributed to the review of the 'on-request' system to finance interpretation in Council preparatory bodies, including arrangements as regards English interpretation post-Brexit. This allowed to devise a fair and balanced technical solution, formally adopted by COREPER in December 2018. To address staffing issues and succession planning, DG Interpretation also recruited 4 English language native speakers as staff interpreters through internal competition in 2018.

As DG Interpretation's information systems do not manage interactions with UK authorities or stakeholders, but rather they support the management of interpretation in the English language, they will not be impacted by Brexit.

Actions to maintain the high quality of interpretation to clients ...

*(linked to Specific Objective 2: The quality of interpretation meets our clients' needs)*



Following the Customer Satisfaction Survey, completed in November, 2017, DG Interpretation adopted an action plan in April 2018 order to maintain the high quality of interpretation. The key measures agreed in the action plan are explained below.

Providing quality interpretation to customers is key for the service as it is crucial that customers can count on reliable and accurate rendition of the source in the target languages. One of the procedures to support this aim was the **quality evaluation system for free-lance interpreters (ACIs)**, based on a 4-point scale. When recruiting, the service thus privileged ACIs with the highest quality score, while at the same time still recruiting less experienced interpreters so that they can improve their skills. Level 2 on this scale was considered the minimum for an ACI to be freely assigned to the majority of meetings, whereas for higher level or particularly technical meetings a higher quality rating is generally required. The service thus monitored the percentage of ACI contract days given to interpreters working into the EU languages at level 2 and above. In 2018, it was possible to keep this figure significantly above the target, at 93.5% of contract days. This represents an increase of 2.8 points compared to the previous year where it stood at 90.7%.

DG Interpretation launched the **Knowledge Centre on Interpretation**: a modern, dynamic, web-based platform for managing, sharing and disseminating information on interpreting, in combination with a collaborative space for both established and new partners. As a world-wide standard setter and driver, the DG has a strong convening role to play and aims to attract and connect the relevant people from different disciplines and encourage them to **share information and knowledge and exchange best practices**.

The Knowledge Centre fits well into the Commission's approach of collaborative working and knowledge sharing and will have a positive impact on the quality of conference interpretation by pooling and publicising digital resources. By opening up an information space for other types of interpreting, such as **Public Service Interpreting** in particular in relation to migration and integration issues, it will indirectly be contributing to the Commission's priorities in the area of justice and fundamental rights and migration policy.

In addition, DG Interpretation continued to invest in **capacity development** by supporting universities which provide conference interpreting training, with a view to providing benchmarks and build a pool for future recruitments not only in the EU, but also in the candidate countries to support Commission's commitment to maintain credible enlargement perspective for **Western Balkan** countries.

DG Interpretation cooperated closely with DG Translation, the other EU linguistic services and the Irish authorities and academia to develop **Irish capacity** in the run up to the phasing out of the Irish language derogation by 2022, in line with the final decision about the derogation and the overall priorities of the service.

In 2018, DG Interpretation contributed at its level to the economic, political and cultural objectives of the EU as global actor, in line with strategic priorities including on Africa, striving to reach out to other countries, engaging and cooperating with international partners and giving visibility to EU action through its international cooperation projects in the field of interpretation.

In that respect, DG Interpretation - together with partner DGs - actively continued in 2018 to implement **international cooperation programmes** in the field of

interpretation with China, Macao, Cuba, Russia and African countries (Pan-African Masters Consortium in Interpretation and Translation – PAMCIT), providing pedagogical assistance and helping develop interpreting capacities in partner countries, in public administrations and universities. It promoted interpreter training according to the high standards developed in EU institutions, thus contributing to increase the level of quality interpretation in the countries concerned and supporting capacity building.

DG Interpretation actively participated with DG DEVCO in the mid-term evaluation of the **PAMCIT project** carried out by external experts. The objective was to get an independent assessment of the implementation of the project so far as well as recommendations for improvement in the short and longer term, including beyond 2019 after completion of the current implementing phase.

DG Interpretation also strived to foster and develop cooperation with international organisations and their networks active in the field of interpretation. At the **“International Annual Meeting on Language Arrangements, Documentation and Publications”** (IAMLADP) in Montreal in June 2018, in line with the priorities identified with the Commissioner, DG Interpretation proactively secured that it will co-host in May 2019 in Brussels, with DGT and other EU institutions, the next annual meeting which is expected to be a major international event for linguistic services and for the EU.

...we also helped to increase corporate efficiency in particular in the areas of meeting room management and conference and event management



#### ➤ **Corporate Meeting Room Management**

Since the adoption of the SER Communication, DG Interpretation had to work with limited resources to meet its new role as Domain Leader

In 2018, DG Interpretation has successfully completed a number of actions in the domain of meeting room management. The main achievements include:

- **Eight rooms were added to the pool of corporate meeting rooms**, allowing meeting organisers across the Commission to have a wider choice for their conferences or expert group meetings. The rooms were fitted with modern equipment to ensure a positive experience for meeting participants<sup>7</sup>. Those extra rooms also benefit from support and proximity services.

**Experience showed that the occupancy rate increased by 30% for meeting rooms added to the corporate pool**

Moreover, DG SCIC provided help desk and maintenance services also to non-corporate meeting rooms. This resulted in **more than 100 maintenance interventions**.

- The **new Catalogue of Meeting Room Services** was published on IntraComm. Together with the extensive implementation of the standard Incident Management system it will be instrumental for the **creation of a new One-Stop-Shop for meeting room services** for meeting organisers and end users.
- **Inventory of all meeting rooms in Commission buildings in Brussels was carried out** thanks to a reinforced cooperation with the other domain leaders. In

<sup>7</sup> This refers to meeting rooms accommodating 50 participants or more. Most of the corporate meeting rooms are those located in the Albert Borschette Conference Centre. The new rooms are located in buildings Merode (3 rooms), Loi 130 (2 rooms), Breydel, Madou, Loi 102 (1 room each).

particular, two MoUs with OIB and with OIL were signed in 2018.

- **Renovating the Commission Press Room**, where the Commission communicates with the media and European Citizens on a daily basis. This project had to be completed under a short but strict timeline and required complex coordination with other services, in particular OIB. The press room now benefits from new, state-of-the-art audio-visual equipment and increased interpretation facilities.
- **Increasing live streaming of events from Commission meeting rooms**. With 3500 events streamed in the last two years and the transmission of the 2018 State of the Union address (SOTEU), there was a huge increase in webstreaming by DG Interpretation from the Commission.
- DG Interpretation continued to collect relevant data on existing meeting room management resources in close cooperation with other services (in particular DG HR for staff screening and OIB for meeting room inventory) and subsequently contributed to developing a robust methodology for the calculation of related investments and savings.

**Streaming increases transparency of Commission actions and reduces carbon footprint and mission costs**

As announced in the 2018 MP under the heading "Example of initiatives to improve economy and efficiency of financial and non-financial activities of the DG", all these achievements contribute to a Commission-wide standardisation of meeting rooms through the standardisation of technical equipment, maintenance and support. Thanks to a set of audio-visual framework contracts, significant savings on equipment and maintenance costs could already be made: taking into account the current consumption, the **Commission-wide saving for 2018 amounts to EUR 600,000**.

...the competitive dialogue for the Commission's **new flagship Conference Centre** is expected to be completed in the 1<sup>st</sup> quarter 2019...



In 2018, DG Interpretation contributed to the competitive dialogue with the suppliers for the **Commission's new flagship Conference Centre**. This competitive dialogue, which will be completed in the 1<sup>st</sup> quarter 2019, is an important step which will pave the way for the next phases including approval by the budget authority and signature of the contract.

#### ➤ **Conference and Event Management**

Since the adoption of the Synergies and Efficiencies Communication, DG SCIC has been working to meeting its new role as Domain Leader. Some of the biggest challenges DG SCIC faced in this field in 2018 was to the **identification of contact persons and the needs of a previously less structured domain**. The approach of the DG relies on working in partnership with DGs and to identify people with expertise in the field who would be able to act as multipliers of knowledge and know-how, the objective being to ensure that all Commission DGs can rely on a professional conference organisation capability.

The calculation of savings and investments in a fragmented domain required a novel approach to domain leadership. There were no pre-existing data on staff employed and budgets used for DG SCIC's domain. DG SCIC first had to build a community of practice,

which now exists and is evolving and establish an events data base – both of which are explained in more detail below. The conferences domain does not lend itself of a centralisation of staff. SDG SCIC therefore occupies a leading coordinating role for its domain and provides key building blocks (e.g. Framework Contracts, professionalization of the conference organisers’ community and project management support, strongly advocating the greening of conferences and promoting balanced participation in panels through the “No woman – no panel” approach) at central level. In this capacity, DG SCIC provided informed input to **calculate savings and investments** to the central services, who were supportive and helped to fine-tune the approach.

DG Interpretation carried out extensive groundwork, in very close cooperation with DG COMM, to collect data and analyse the Commission’s needs for conference and event-related services, to launch a **next generation framework contract for event management services**. This modern, efficient and easy-to-use framework contract will serve around 60% of Commission conferences. In cooperation with DG COMM, DG Interpretation will coordinate the framework contracts serving the remaining need.

**DG Interpretation contributes to a better knowledge of Commission events (numbers, budgets, participation) thanks to data collecting**

DG Interpretation also **designed the model governance for conference management**, based on a corporately steered decentralisation:

- The corporate elements include the **database for registering all events (the Corporate Events Database)**, the **central tool for registration of participants** or the **free of charge app** to store all documents and relevant conference data.
- The decentralised part of the model aims at ensuring an adequate level of **professionalisation of the community**, by sharing best practice, expertise and tools with a **Network of Conference Correspondents**. This network of currently 130 members has led already to a considerable degree of professionalisation. The online toolkit for conference organisation is one example.

A joint note by the Directors-General of DG SCIC and DG BUDG in autumn 2018 reminded DGs of the requirement to register their events and made event registration a pre-condition for authorising the related expenditure<sup>8</sup>. In accordance with the central services, the requirement to ensure completeness of the yearly events planned/registered by each DG will be embedded in the instructions for the Management Plan 2020.

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<sup>8</sup> Reference: note Ares(2018)5156219 of 8 October 2018.



## 2. ORGANISATIONAL MANAGEMENT AND INTERNAL CONTROL

This section explains *how* the DG delivered the achievements described in the previous section. It is divided into two subsections.

The first subsection reports the control results and all other relevant information that support management's assurance on the achievement of the financial management and internal control objectives<sup>9</sup>. It includes any additional information necessary to establish that the available evidence is reliable, complete and comprehensive; appropriately covering all activities, programmes and management modes relevant to the DG.

The second subsection deals with the other components of organisational management: human resources, better regulation principles, information management and external communication.

### 2.1 Financial management and internal control

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

This examination is carried out by management, who monitors the functioning of the internal control systems on a continuous basis, and by internal and external auditors. Its results are explicitly documented and reported to the Director-General. The reports produced are:

- the contribution of the director in charge of *Risk Management and Internal Control* (RMIC), including the results of internal control monitoring at the DG level;
- the reports by AOSDs;
- the limited conclusion of the internal auditor on the state of control and the observations and recommendations reported by the Internal Audit Service (IAS);

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

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

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<sup>9</sup> Art 36.2 FR: a) effectiveness, efficiency and economy of operations; b) reliability of reporting; c) safeguarding of assets and information; d) prevention, detection, correction and follow-up of fraud and irregularities; and e) adequate management of risks relating to the legality and regularity of underlying transactions



## 2.1.1 Control results

This section reports and assesses the elements identified by management that support the assurance on the achievement of the internal control objectives<sup>10</sup>. The DG's assurance building and materiality criteria are outlined in the AAR Annex 4. Annex 5 outlines the main risks together with the control processes aimed to mitigate them and the indicators used to measure the performance of the relevant control systems.

DG Interpretation operates under administrative expenditure (Heading 5) implemented under centralised direct management. In 2018, DG Interpretation executed payments of:

- EUR 62.7 million from budgetary chapter 31 and
- EUR 3.2 million from co-delegated expenditure related to conferences and events organisation on behalf of other Commission services.

The expenditure managed by DG Interpretation in 2018 can be divided into the following Relevant Control Systems (RCS). The effectiveness, efficiency and economy of ex-ante controls conducted in these areas is presented separately in Annex 5.

Relevant Control System	payments made	%
ACI	50.925.782,27 €	77,31%
Procurement	14.178.269,36 €	21,52%
Grants	448.809,21 €	0,68%
Staff expenditure	321.975,10 €	0,49%
Total	65.874.835,94 €	

**ACI** covers the recruitment, remuneration and reimbursement of non-permanent interpreters. ACIs are employed when needed by DG Interpretation on a day-by-day contract basis to ensure it can meet demand for interpretation and achieve its mission and strategic objectives. Additionally, the reimbursement of ACI candidates participating in inter-institutional tests is also included into this RCS. These payments are managed via decentralised financial circuits in Unit SCIC.B4, Joint Management of Conference Interpreting Agents.

The inter-institutional payment office in Unit SCIC.B4 processed ACI payments for a total value of EUR 102.4 million. 50.9M correspond to DG SCIC contracts, paid from SCIC budget, plus EUR 2.5 million for the ACIs recruited by the Court of Justice and EUR 49 million for the ACIs recruited by the European Parliament. Such payments are made from "Hors Budget" accounts financed from advances paid by these Institutions. All payments to ACIs are processed by applying the same internal controls regardless the recruiting Institution, via a fully decentralised financial circuit complemented by ex post controls performed by Unit SCIC.C2.

For the estimation of costs of control however, only transactions financed from SCIC's budget and resources allocated to their handling are considered. The other Institutions nevertheless contribute to the functioning of the payment office in form of detached staff and compensation for the salary of affected contract agents.

**Procurement** covers transactions where budgetary appropriations are consumed by procurement procedures. The most important areas of expenditure for DG Interpretation

<sup>10</sup> 1) Effectiveness, efficiency and economy of operations; 2) *reliability of reporting*; 3) *safeguarding of assets and information*; 4) prevention, detection, correction and follow-up of fraud and irregularities; and 5) adequate management of the risks relating to the legality and regularity of the underlying transactions, taking into account the multiannual character of programmes as well as the nature of the payments (FR Art 36.2). *The 2<sup>nd</sup> and/or 3<sup>rd</sup> Internal Control Objective(s) (ICO) only when applicable, given the DG's activities.*

in this system are conference management, the management of meeting rooms, informatics expenditure and professional development. All of these transactions are handled through a centralised financial circuit, where operational initiation and verification of commitments, contracts and payments takes place in the responsible operational unit, while financial initiation and verification is performed centrally in the finance unit. Procurement procedures were subject of an audit by IAS in 2016. The IAS reviewed the implementation of their recommendations in 2018 and found that they were fully implemented.

Based on ABAC data, DG SCIC has a 54% share of negotiated procedures in the total of contracts concluded by DG SCIC. This represents a 16 point decrease compared to 2017.

When assessing the share of negotiated procedures, it is very important to remember that 60% of the contracts concluded by SCIC in 2018 were specific contracts on existing framework contracts for which SCIC or other DGs (DIGIT for IT contracts, DG HR for training contracts, etc.) reported the relevant procedures in earlier years. The total value of these transactions covered 84% of the procurements contracts signed in 2018.

As those specific contracts are not taken into account for the counting of procurement procedures, only direct contracts are taken into account. Based on this methodology, the overwhelming part of procedures awarded in 2018 by SCIC were negotiated. This is due to the fact 87% of SCIC negotiated procedures are very low value contracts (< EUR 15 000) not covered by existing framework contracts, and for which open tender procedure is not proportionate. As SCIC also manages the organisation of conferences on budget lines co-delegated by other DGs, SCIC takes over services – and related procurement procedures – that had previously been reported by the DGs when they were organising their conferences themselves. Usually these procedures are needed for contracting local services needed for the smooth conference organisation. On other occasions, DG Interpretation had to conclude contracts with a single economic operator for acquiring certain services. This is in line with Article 134.b of the RAP in application of art. 104(5) FR of the Financial Regulations remaining in force for administrative credits up to 31/12/2018 and Art 11.1(b) of Annex 1 to the FR 2018, applicable to operational credits as of 02/08/2018 when, for reason of technical or operational exclusivity, no open competition can be organised. In all cases, evidence of the exclusivity is fully documented and validated by the responsible authorising officer.

Following a cost benefit analysis, considering the limited number of transactions, the intensive use of framework contracts, the structure of the financial circuits and the results of the ex-ante controls, no ex-post controls are performed on procurement and therefore there is no detected error rate for procurement transactions

In the Relevant Control System for **Grants** specific transactions are encompassed: grants to universities and scholarships to students. Similarly to the Procurement area centralized financial circuits are used for the ex-ante controls.

**Staff expenditure**, includes transactions for the purpose of professional development of staff interpreters (and also ACI) in languages via a system of reimbursement. Similarly to the Procurement area centralized financial circuits are used for the ex-ante controls.

**Income** is a crucial factor in DG Interpretation's operations. Therefore a relevant Control System is dedicated to this area. Of the 93.2M€ cashed revenue reported in Annex 3, Table 7, EUR 80.4 million of the revenue was collected from external clients (under Heading 5 expenditure). EUR 78.3 million result from the provision of interpretation services, and EUR 2.1 million result from other services delivered in 2018 or in 2017. From the EUR 78.3 million interpretation related revenue, EUR 41.9 million (53.9%) were assigned to the PMO. The EUR 12.8 million balance corresponds to the taxes on revenue collected on the payment of the salaries ACIs recruited by the 3 European interpretation services and paid on their behalf by DG SCIC. Those EUR 12.8 million are part of the general revenue of the European Union.

Besides the above-mentioned relevant Control Systems that concentrate on ex-ante controls in the different areas of expenditure and on income, DG Interpretation has 2 ex-post relevant Control Systems:

- Specific **ex-post controls** on payments to non-local ACIs. As the payments are made as part of a decentralised financial circuit, a sample-based control is executed. The results are summarized each semester in a specific report. The controls also cover payments made on behalf of the European Parliament and the Court of Justice and the reports are transmitted to them for information.
- **Accounting controls** are conducted in the areas of expenditure, pre-financing, assets, guarantees, income and commitments. Their main goal is to provide the Director General with reasonable assurance on the quality of DG Interpretation's accounts.

DG Interpretation's management considers that control mechanisms implemented at the DG successfully mitigate the risks presented in Annex 5 and provide a reasonable assurance about the achievement of internal control objectives.

### **1. Effectiveness = the control results and benefits**

#### ***Legality and regularity of the transactions***

DG Interpretation has set up internal control processes aimed to ensure the adequate management of the risks relating to the legality and regularity of the underlying transactions, taking into account the multiannual character of programmes as well as the nature of the payments concerned.

The main purpose of controls in the **ACI process** is to ensure the legality and regularity with regards to the contracting and payment of freelance interpreters. With regards to the contracting phase, it can be concluded that the control target has been achieved, as all contracts signed in 2018 were fully covered by the designated budgetary commitment.

Payments to ACIs are, for the most part, a fully automated and repetitive procedure, with all relevant data managed through a single, integrated information system (Management of Interpretation and Meetings -MIM) which ensures a high level of data integrity. Within this activity, the payment of some allowances and reimbursement of transport and accommodation costs of ACIs on mission is an area where fraud and/or errors could occur with smaller, one-off payments. However, access to prepaid travel tickets, implementation of the APR system (web-based expenses claims for non-permanent interpreters) and various automated checks considerably circumvent risk of error.

Ex-ante controls on payments were conducted according to the four-eyes principle. As ex-ante controls aim at the execution of payments in the shortest possible deadlines, no statistics are noted at the time of the payment with regards to corrections or additional documents requested from the ACI. Therefore, the effectiveness of the ex-ante controls is demonstrated by results of the satisfactory results of the ex-post controls and accounting controls.

Ex-ante controls conducted in a centralized financial circuit in the **Procurement process** area are carried out with the purpose of ensuring legality and regularity with regards to the selection of tenderers, the contracting of successful tenderers and the execution/payment of the contract in an effective, efficient and economic way. The prevention, detection, correction and follow-up of fraud and irregularities is also incorporated into these controls, as all transactions are handled according to the 4-eyes principle. Control results are regularly monitored and where necessary, remedial actions are adopted and implemented without delay. With regards to the selection phase of procurement, no complaints have been received from unsuccessful tenderers and no

procedures had to be cancelled due unsatisfactory definition of tender specifications. Therefore, controls can be considered effective in this segment. In the contracting phase, there were only minor discrepancies noted, however the presence of such observations is reassuring that controls are carried out systematically and effectively. In the execution/payment phase as well, few errors were noted and adequate action was adopted before payment. Identified errors were below materiality threshold, but their identification demonstrates the ability to identify discrepancies.

Following a cost-benefit analysis, considering the limited number of transactions, the intensive use of framework contracts, the structure of the financial circuits and the results of the ex-ante controls, no ex-post controls others than accounting controls are performed on procurement and therefore there is no detected error rate for procurement transactions.

Similarly to procurement, ex-ante controls in the **Grants process** aim at guaranteeing legality and regularity throughout the awarding, granting and execution/payment phase as well as taking necessary measures against fraud. No claims have been received with regards to the awarding process of grants and the only complaint in connection of awarding scholarships was related to a simple case of non-eligibility. Ex-ante controls in the signature and execution phase did not highlight any discrepancies. Due to the presence of ex-ante controls and as 90% of the grants awarded are low value grants, on-the-spot audit missions are therefore only performed when strictly needed in order to keep a correct balance between cost and benefit of such controls and no specific ex-post controls are performed.

In the area of **Staff expenditure** ex-ante controls in the commitment phase specifically aim at ensuring that the applications accepted contribute to reaching the objective of a broader language portfolio of staff interpreters and ACI. The indicators show that in 2018 38 staff interpreters and 15 ACI added a new language after a language stay with the support of DG Interpretation. In the payment phase the legality and regularity of transactions was examined resulting in the detection of a few minor discrepancies. Due to the very low value of transactions and as 100% of transactions are subject to ex-ante examination, no specific ex-post controls others than accounting controls are performed.

Ex-ante controls in the area of **Income** aim at ensuring that the amounts due to DG Interpretation are recovered from SCIC's clients in order to be able to contribute to the DGs' budget in the form of assigned revenue. Additionally, legality and regularity of each transaction is controlled as part of the billing process and charge d amounts are confirmed by clients as part of the pre-information stage of the invoicing process. The best indicator for controlling recoveries is whether the amounts that are considered due are contested by the clients. In 2018 there was only one case where partial cancellation of a debit note was needed, but this was due to the client DG's change in needs for a conference after the recovery order was issued.

The **Ex-post controls on payments to non-permanent interpreters** have been established in order to measure the effectiveness of ex-ante controls that are performed in a decentralized financial circuit. As the payment of daily remunerations and allowances is automated, the only potential area of error is the treatment of reimbursement requests requiring the analysis of supporting documents. Therefore the randomly selected transactions to be subjected to ex-post examination were part of this population. The sample selected amounted to 1.27% of payments in value. The results of the controls executed in 2018 indicate an error rate of 0.073% applicable to the totality of transactions<sup>11</sup>. This error rate is well below the 1% materiality threshold set in 2018 DG SCIC management plan for this specific area of transactions.

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<sup>11</sup> As described above, the controls also cover contracts concluded by the European Parliament and the Court of Justice. For the calculation of the error rate the payments based on automated calculations are also included into the population.

In the area of **ex-post accounting controls** 2018 DG Interpretation conducted 55 different accounting controls on a monthly, quarterly or yearly basis in the area of expenditure, pre-financing, assets, guarantees, income and commitments and contracts. As a result of them the DG performed 45 corrections (compared to 80 in 2017), out of which 23 (as opposed to 25 in 2017) had no financial impact on financial statements. The global impact of corrections with a financial impact represents 0.5% of the total financial statements, which is well below the 2% materiality threshold.

In addition, DG Budget performed an assessment of the DG Interpretation accounting quality programme. They stated that the accounting control framework put in place at DG Interpretation represents a low risk. They nevertheless concluded that the accounting risk for the DG was assessed as medium, only due to the fact that the European Court of Auditors has not performed a detailed audit on DG Interpretation's accounts and DG Budget has not conducted a new validation exercise of SCIC internal control since 2007. Therefore, although these factors that are out of DG Interpretation's control and do not have an actual impact on accounting quality, the medium risk is the lowest possible that can be achieved.

Total impact of the corrections made on the 2018 annual accounts				
accounting control corrections	Impact on assets	Impact on liabilities	Impact on expenses	Impact on revenue
<b>Total</b>	<b>0,00</b>	<b>384,00</b>	<b>-325.900,11</b>	<b>-16.500,00</b>
TOTAL 2018 financial statements	25.843.667,86	24.824.243,38	64.135.572,48	92.366.851,19
% on total 2018 financial statements	0,00%	0,00%	-0,51%	-0,02%

In the context of the protection of the EU budget, at the Commission's corporate level, the DGs' estimated overall amounts at risk and their estimated future corrections are consolidated.

For DG Interpretation, the estimated overall amount at risk at payment<sup>12</sup> for the 2018 expenditure is EUR 0.3 million. This is the AOD's best, conservative estimation of the amount of *relevant expenditure*<sup>13</sup> during the year (EUR 65.93 million) not in conformity with the applicable contractual and regulatory provisions at the time the payment is made<sup>14</sup>.

The main part of 2018 DG Interpretation expenditure was subject to ex-post controls with very low reported error rate and direct correction of found errors. Therefore, the conservatively estimated future corrections<sup>15</sup> for the 2018 expenditure are EUR 0. This is

<sup>12</sup> In order to calculate the weighted average error rate (AER), the *detected or equivalent* error rates have been used; see note 6 to the table.

<sup>13</sup> "relevant expenditure" during the year; see note 5 to the table.

<sup>14</sup> "payments made" or equivalent; see note 2 to the table.

<sup>15</sup> Even though to some extent based on the 7 years historic Average of Recoveries and financial Corrections (ARC), which is the best available indication of the corrective capacity of the ex-post control systems implemented by the DG over the past years, the AOD *has adjusted* this historic average from 1.2% to 0%. Any ex-ante elements, one-off events, (partially) cancelled or waived ROs, and other factors from the past years that would no longer be relevant for current programmes (e.g. higher ex-post corrections of previously higher errors in earlier generations of grant programmes,

the amount of errors that the DG conservatively estimates to identify and correct from controls that it will implement in successive years.

The difference between those two amounts leads to the estimated overall amount at risk at closure<sup>16</sup> for the 2018 expenditure of EUR 0.3 million.

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current programmes with entirely ex-ante control systems) *have been adjusted* in order to come to the best but conservative estimate of the ex-post future corrections to be applied to the reporting year's relevant expenditure for the current programmes.

<sup>16</sup> **For some programmes with no set *closure* point (e.g. EAGF) and for some multiannual programmes for which corrections are still possible afterwards (e.g. EAFRD and ESIF), all corrections that remain possible are considered for this estimate.**

**Table X - Estimated overall amount at risk at closure**

<b>DG SCIC</b>	"payments made" (FY; m€)	<i>minus</i> new prefinancing [ <i>plus</i> retentions made*] (in FY; m€)	<i>plus</i> cleared prefinancing [ <i>minus</i> retentions released* and deductions of expenditure made by MS] (in FY; m€)	<b>= "relevant expenditure" (for the FY; m€)</b>	Average Error Rate ( <i>weighted</i> AER; %)	estimated overall amount at risk <i>at payment</i> (FY; m€)	Average Recoveries and Corrections ( <i>adjusted</i> ARC; %)	estimated future corrections [and deductions] (for FY; m€)	<b>estimated overall amount at risk at closure (m€)</b>
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Programme, Budget Line(s), or other relevant level	as per AAR annex 3, table 2	as per ABAC DWH BO report on prefinancing	as per ABAC DWH BO report on prefinancing	= (2) -/+ (3) +/- (4)	Detected error rates, or equivalent estimates	= (5) x (6)	H-ARC (as per ABAC DWH BO report on corrective capacity), <u>but adjusted</u>	= (5) x (8)	= (7) - (9)
Total budget where SCIC is AOSD for payments, excl ACIs	14.97	0.39	0.45	15.03	0.5%	0.07	0%	0	0.07
ACIs	50.90	0	0	50.90	0.073%	0.04	0%	0	0.04
<b>TOTAL</b>	<b>65.87</b>	<b>0.39</b>	<b>0.45</b>	<b>65.93</b>		<b>0.11</b>	<b>0%</b>	<b>0</b>	<b>0.11</b>

**Notes to the table**

1) [if possible] differentiated for the relevant portfolio segments at a level which is lower than the DG total

(2) Payments made or equivalent, such as after the expenditure is registered in the Commission's accounting system, after the expenditure is accepted or after the pre-financing is cleared. In any case, this means after the preventive (ex-ante) control measures have already been implemented earlier in the cycle.

In all cases of Co-Delegations (Internal Rules Article 3), the "payments made" are covered by the Delegated DGs. In the case of Cross-SubDelegations (Internal Rules Article 12), they remain with the Delegating DGs.

(3) New pre-financing actually paid by out the department itself during the financial year (i.e. excluding any pre-financing received as transfer from another department). The "Pre-financing" is covered as in the context of note 2.5.1 to the Commission (provisional) annual accounts (i.e. excluding the "Other advances to Member States" (note 2.5.2) which is covered on a pure payment-made basis).

"Pre-financings paid/cleared" are always covered by the Delegated DGs, even in the case of Cross-SubDelegations.

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

(5) For the purpose of equivalence with the ECA's scope of the EC funds with potential exposure to L&R errors (see the ECA's 2017 AR methodological Annex 1.1 point 15), also our concept of "relevant expenditure" includes the payments made, subtracts the new pre-financing paid out, and adds the previous pre-financing actually cleared [& subtracts the retentions released and those (partially) withheld; and any deductions of expenditure made by MS in the annual accounts] during the FY. This is a separate and 'hybrid' concept, intentionally combining elements from the budgetary accounting and from the general ledger accounting.

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

For types of low-risk expenditure with indications that the equivalent error rate might be close to 'zero' (e.g. administrative expenditure, operating subsidies to agencies), it is recommended to use 0.5% nevertheless as a conservative estimate.

Following the recommendation given by DG BUDGET, DG Interpretation has used a conservative estimate for the error rate of 0.5%, although the actual detected error rate is 0.162% on DG's payments of non-permanent interpreters' remunerations.

(8) Even though to some extent based on the 7 years historic Average of Recoveries and financial Corrections (ARC), which is the best available indication of the corrective capacity of the ex-post control systems implemented by the DG over the past years, the AOD has adjusted this historic average from 1.2% to 0% as based on the revision of data it can be concluded that the amount stems from information encoded in credit notes, therefore the corrective capacity is not an indication of ex-post, but ex-ante controls.

Any ex-ante elements, one-off events, (partially) cancelled or waived Recovery Orders, and other factors from the past years that would no longer be relevant for current programmes (e.g. higher ex-post corrections of previously higher errors in earlier generations of grant programmes, current programmes with entirely ex-ante control systems) have been adjusted in order to come to the best but conservative estimate of the ex-post future corrections to be applied to the reporting year's relevant expenditure for the current programmes.



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

- ***Fraud prevention, detection and correction***

DG Interpretation has updated its anti-fraud strategy in 2018, highlighting that the DG remains a low risk DG with a good knowledge of staff on ethics related issues. With the HR centralization, it was recalled that Heads of units are now responsible for ensuring that new staff follows ethics training and guidance. Various awareness-raising actions were also implemented to maintain this level of knowledge among staff.

Besides, the strategy stresses that the nature and average individual value of the transactions, the types of contracting modalities and the internal control systems in place (systematic segregation of duties, effective automated monitoring tools, etc.) result in a low level of risk exposure to fraud.

No instances of fraud have been detected or reported in 2018. Each time a possible risk of error or fraud is identified as part of regular controls, especially in the area of financial management, remedial actions are adopted.

In 2018 the DG has nominated a new Anti-Fraud Correspondent and maintained its active participation in the FDPNet (Fraud Detection and Prevention Network chaired by OLAF). An additional ethics contact was appointed in Directorate A to provide guidance for interpretation-related issues.

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

With regards to control activities performed in the area of reliability of reporting, DG Interpretation follows the Strategic Planning and Programming Cycle, preparing each year the Annual Management Plan and the Annual Activity Report as requested by the Commission.

Each year the Draft Budget is prepared, which for SCIC is a complex exercise, as the DG relies heavily on assigned revenue to complement the funds received as voted budget. In 2018 68.18% of available commitment appropriations came from assigned revenues. As the billing of interpretation services constitutes the the source of this revenue, the determination of the i-slot price is also part of this process. For the provision of interpretation services, DG Interpretation has set up a uniform and automatic compensation mechanism with a unique compensation rate, the "i-slot". The i-slot corresponds to the average cost of a half day of an interpreter, making the compensation system transparent for our fee-paying users. Besides its significance for SCIC's draft budget, the i-slot price also needs to be communicated to the DG Interpretation's clients. A provisional maximum figure is calculated at the beginning of the year for year N+1, while calculations are carried out towards the end of the year resulting in a definitive figure in November. In order to be able to monitor DG SCIC's budgetary execution during the year, quarterly reports are prepared enabling management to make necessary decisions. Additionally, considerable efforts are made by an operational unit to monitor the follow-up of an inter-institutional framework contract.

In the area of accountancy, monthly, quarterly and yearly reports are document the results of the performed accounting controls. They are also summarised on page 18 of the present report. The analysis of the results of the accounting controls are then taken into account in the yearly review of DG Interpretation's

accounting action plan and in the assessment of SCIC accounting risk.

DG Interpretation is also the domain leader for audio-visual assets at the Commission. This means that SCIC is not only responsible for audio-visual equipment purchased from its own budget, but is also managing goods acquired by other DGs. DG Interpretation has implemented multiple internal procedures in order to safeguard these assets. DG Interpretation tracks the location of all items purchased as soon as they are delivered to its warehouse, after their installation and any subsequent movement, for example, when they are sent for repair. DG Interpretation performs an bi-annual tracking exercise of inventoried items in meeting rooms managed by SCIC to ensure the maximum number of such items are identified. Quantity controls of items in the DG Interpretation warehouse on assets (equipment, etc.) or on non-assets (consumables) are made regularly in order to ensure minimum disruptions in meeting rooms.

## ***2. Efficiency = the Time-to-... indicators and other efficiency indicators***

In 2018 1470 payments were processed in ABAC within an Average Payment Time of **15.8 days** excluding suspension periods. This figure does not include payments to freelance interpreters that are processed via DG Interpretation's local system (Grif) and subject to different payment deadlines. Compared to 17.09 days measured in 2017 for the same indicator, it can be concluded that DG Interpretation increased efficiency with regards to ex-ante controls on payments.

The Average Payment Time includes an average of 5.09 days (compared to 4.9 days in 2017) for the processing time of the payments in the horizontal services. It can therefore be concluded that the net decrease of payment processing time at DG Interpretation is even more considerable.

Statistics report that 55 payments were late (3.74%). Compared to the 64 (4.24%) late payments in 2017 again an increase of efficiency can be noted. It should also be considered that out of the 55 payments qualified as late 15 would have been made in time if processing time of the horizontal services had not been higher than 5 days. Instead, for these transactions the validation of horizontal services was an average of 29 days.

Additionally, for payments made on co-delegated budget lines, experience has shown that delay in payment is often the result of the payment of invoices received at the very end of the year and payable from operational payment appropriations. To avoid losing payment appropriations, SCIC requests their transfer only once the invoice is ready for payment and at the beginning of the year, with the accounting closure operations, transfers may take a bit longer.

Payments to ACIs are subject to specific payment deadlines and are processed via DG Interpretation's local system (Grif). The available payment time statistics are distorted by the fact that the system currently takes into account the first reception of reimbursement requests (or the date of the contract in case that is the triggering event) also in case additional supporting documents are received only at a later stage, or the payments are made in the framework of salary indexation. Even considering this fact, it can be stated that ex-ante controls have been executed efficiently as 97.14% of the amount paid as final settlements on contracts signed by SCIC were paid on time.

In 2018 the time-to-inform indicator was 66 days for successful applicants and 67 days for unsuccessful applicants for the grants awarded to universities. The time-to-grant indicator was an average of 92.4 days. This average results from delays

from the beneficiaries in returning the signed copy before the Commission signature.

### **3. Economy = the cost of controls**

The estimation of cost of controls was conducted according to the bottom-up principle: each unit performing control activities was consulted to request the amount of time their staff dedicated to control activities in 2018 per Relevant Control System.

The detailed figures are presented in Annex 10. Looking at the different Relevant Control Systems, the cost of control can appear high for Grants (15.6%) and for Staff Expenditure (27.13%). In both cases the reason behind the relatively high relative cost is due to the fact that irrespective of the (very low) individual value of transactions, they are subject to the same control rules (e.g. 4 eyes principle cannot be modulated according to the transaction value) and to the same number of encoding data.

For grants, total time allocated to controls represents 0.53 FTE, to process 74 commitment files and 81 payment files, worth about 449,000€ in total (average payment of 5,541€).

For staff expenditure, total time allocated to controls represents 0.87 FTE, to process close to 200 legal commitments and 270 payments, for a total yearly expenditure of 322,000€ (average payment: 1,192€).

Considering the very low individual value of these transactions and their limited number, automating controls by developing ad hoc IT systems would not be cost-effective. Limiting certain controls to a sample of such transactions combined with additional ex post controls would not significantly reduce the cost of controls, because to be statistically pertinent, the size of the sample would still represent a considerable part of the population. In the recent years, SCIC has therefore opted for the rationalisation of its processes for handling certain subcategories of such transactions, in particular scholarships.

The cost of ex-post controls is compared to the total value of transactions examined, which also includes the population of ACI contracts concluded by the European Parliament and the Court of Justice. The cost of controls with regards to ex-post accounting controls and reporting are compared with the totality of payments made and income cashed, as they are applicable to both populations. The cost of all controls carried out at DG Interpretation is also compared to this figure.

As an overall conclusion the level of cost of controls at DG Interpretation is considered satisfactory.

The corporate methodology for the estimation, assessment and reporting on the cost-effectiveness of controls was revisited in September 2018 and applied first time in the 2018 annual reporting. The difference of the estimated cost of controls as compared to previous years derives from this new methodology and does not reflect any substantial change in the DG's control strategy.

### **4. Conclusion on the cost-effectiveness of controls**

Based on the most relevant key indicators and control results, DG Interpretation has assessed the effectiveness, efficiency and economy of the control system.

The conclusion on the outcome of controls, considering the applied materiality criteria, the estimate of the residual error rate and the overview of the cost of controls at Commission level (1.84% as presented in annex 10) demonstrate that controls are effective and that their costs are under control.

On this basis, DG SCIC reached a positive conclusion on the cost-effectiveness of controls.

## **2.1.2 Audit observations and recommendations**

This section reports and assesses the observations, opinions and conclusions reported by auditors in their reports as well as the limited conclusion of the Internal Auditor on the state of internal control, which could have a material impact on the achievement of the internal control objectives, and therefore on assurance, together with any management measures taken in response to the audit recommendations.

In its contribution to the 2018 AAR of DG SCIC<sup>17</sup>, the IAS concluded, based on all audit work carried in the period 2016-2018, including the follow-up to the 2016 audit on procurement and the 2018 audit on synergies and efficiencies review (SER), that the internal control systems in places for the audited processes are effective.

At the same time, the IAS drew attention to two "Very Important" recommendations stemming from the new SER audit, which have implications for DG SCIC as domain leader for events and meeting room management<sup>18</sup>. Given that the elements relating to DG SCIC represent only part of much wider recommendations which are also addressed to other domain leaders and corporate services, the IAS considers that the elements related specifically to DG SCIC do not have a significant impact on its conclusion on the state of internal control in DG SCIC.

As regards four outstanding recommendations resulting from the 2016 audit on procurement, in its last follow-up (carried out in 2018) the IAS concluded that two "Important" recommendations have been adequately and effectively implemented, whilst the remaining two recommendations (one "Very Important" and another "Important") are effectively superseded by the relevant SER audit recommendations.

As a consequence, the full implementation of these latter recommendations will be verified by the IAS on occasion of the future follow-up to the new recommendations resulting from the SER audit, for which the Central Services and all the Domain Leaders (including DG SCIC) will have to draw up a consolidated action plan (with the coordination of DG HR and SG).

The Court of Auditors did not report any observation as part of its DAS controls.

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<sup>17</sup> Ares(2019)934977

<sup>18</sup> In its new audit report on SER the IAS also issued an "Important" recommendation specifically addressed to DG SCIC, which concerns strengthening of the role of the Steering Board on Events and Meeting room management and clarifying to other DGs the operational definitions of "meeting room" and "conferences" (see audit recommendation 1.7).

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

**The Commission has adopted an Internal Control Framework based on international good practice, aimed to ensure the achievement of policy and operational objectives. In addition, as regards financial management, compliance with the internal control framework is a compulsory requirement.**

**DG Interpretation has put in place the organisational structure and the internal control systems suited to the achievement of the policy and internal control objectives, in accordance with the standards and having due regard to the risks associated with the environment in which it operates.**

The assessment of internal control principles was carried out according to the methodology established in the *"Implementation Guide of the Internal Control Framework of the Commission"*. In order to establish the assessment, the following sources were used: DG SCIC's self-assessment; the global analysis of the register of exceptions and non-compliance events; the risk assessment; and the audit results. The results have indicated that there are improvements required for certain principles which are:

- The DG's Relevant Control Systems have changed over the last three years. The percentage of the total expenditure of procurement has increased for the third year running and now represents 21.5% of the total expenditure in 2018. Although DG SCIC has been defined as low risk, the estimated residual error rate in 2018 covers just under 80% of DG SCIC's expenditure (which correlates to the payment of ACIs), rather than covering 90% of expenditure.
- A further revision of the internal control indicators based on the recommendations for some principles in the report and more closely linked to the DG's specific activities.
- The web page on the DG's intranet site, SCICnet, dealing with Internal Control and Risk Management aspects should be created in 2019.

The internal control assessment of the Director in charge of Risk Management and Internal Control (RMIC) examined all areas linked to the different Internal Control Standards such as the follow-up of audits, implementation of the internal control standards and a review of the actions taken related to the DG's anti-fraud strategy. No systemic weaknesses were identified or major improvements required in the DG's internal control system

#### Assessment of the internal control systems

**DG Interpretation has assessed its internal control system during the reporting year and has concluded that it is effective and that the components and principles are present and functioning as intended**

**Although principles 3, 5, 13, 14 and 15 are present and functioning overall, some actions are planned to strengthen some of their aspects.**

## 2.1.4 Conclusions on the impact as regards assurance

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

The information reported in Section 2.1 stems from the results of management and auditor 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 Interpretation.

DG Interpretation's assessment on legality and regularity of the activities it manages returns a very low level of error. As explained earlier, SCIC manages 2 different types of transactions:

- ACI payments (mostly remunerations), which are highly automated and subject to ex post controls where the residual error rate is is of 0.073%
- All other types of expenditure, subject to centralised financial circuit with robust ex-ante controls, where the error rate is estimated at 0.5%

DG Interpretation has implemented all possible suitable ex-ante and ex-post controls, to the extent that they remain cost-effective and do not affect the other policy/programme objectives nor abandon the financial scheme.

Therefore, under the prevailing risk environment and from a managerial point of view, DG Interpretation's AOD can sign the Declaration.

### Overall Conclusion

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

### **2.1.5 Declaration of Assurance**



# DECLARATION OF ASSURANCE

*I, the undersigned,*

***Director-General of DG Interpretation***

***In my capacity as authorising officer by delegation***

***Declare that the information contained in this report gives a true and fair view<sup>19</sup>.***

***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 and the work of the Internal Audit Service 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 institution.***

***Brussels, date 4 April 2019***

***(signature)***

***Florika Fink-Hooijer***

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<sup>19</sup> True and fair in this context means a reliable, complete and correct view on the state of affairs in the DG/Executive Agency.

## 2.2 Other organisational management dimensions

For further information regarding the indicators for 2.2.1, 2.2.2 and 2.2.4, please refer to Annex 2.

### 2.2.1 Human Resources

DG Interpretation has reached its target for female middle managers and benefits from a gender-balanced management. SCIC organised with the AMC a Career Seminar in January 2018 informing AD staff about: the work of a middle manager; the required competencies; and how to acquire them. The purpose of the event was to inform and to accompany interested staff in their career choice and to help them prepare for future applications. In addition to the event, one-to-one tutoring has been offered to internal candidates at request.

In 2018, four new middle managers have been selected, three of them are female. SCIC has thus achieved 5 appointments in line with our quota of 6 compulsory appointments set by DG HR in 2016. Moreover, in total four colleagues have been selected to participate in the Female Management Development Programme run by DG HR.

In order to ensure adequate succession planning and to provide stable capacity in interpreting, an internal competition was organised in the conference interpreting domain for six languages (DE, EN, ET, HR, MT, SK). Given that the derogation for Irish language ends in 2021, close contacts have been maintained with Galway University in Ireland with tangible results, such as the recruitment of the first ever staff interpreter into Irish in 2018.

SCIC reinforced the internal brand as an inclusive and tolerant workplace in its All Staff Day *Creating an enabling environment, which promotes respect and inclusiveness for all SCIC staff*. In line with the theme, all staff had the possibility to engage in discussions and have their opinions listened to. One could maintain that the increase of 20% of positive responses to the statement *I feel that my opinion is valued* in the Staff Survey 2018 is partly linked to the raised awareness mutual respect and collaborative working methods.

### 2.2.2 Better regulation principles

### 2.2.3 Information management aspects

In line with the Commission's Action Plan on data protection<sup>20</sup>, Objective 2: empowerment of and awareness-raising among Commission staff and Objective 3, ensure a proper record keeping and a risk-based approach, the DG undertook a number of actions during 2018..

The 2018 planning of the awareness raising and stocktaking actions are given below:

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<sup>20</sup> Annex to the Communication to the Commission – The Commission's Data Protection Action Plan – C(2018)7432

18/06/2018	Initial discussion in the Senior Management Meeting concerning the new Regulation (EC) 2018/1725 and the response to request for preparedness from the Secretariat General <sup>21</sup>
27/06/2018	Email to all Staff on the forthcoming Regulation and the obligations of all staff when processing personal data
28/06/2018	Response to Data Protection Roadmap sent by the Secretariat-General
17/09/2018	Review of data protection issues as part of the Risk Assessment Meeting with senior management
20/09/2018	Desk review and stocktaking of personal data processing in SCIC in line with Objective 3.2 of the Action Plan
17/09/2018	Review of Data Protection Issues as part of the Risk Assessment Meeting with Senior Management
24/09/2018	Data protection review in Senior Management Meeting
19/10/2018	Presentation to all SCIC in SCIC Breakfast Meeting of the Regulation (EC) 2018/1725 and the key principles
19/10/2018	Presentation to all management in SCIC Management Meeting of the Regulation (EC) 2018/1725 and the key principles and in particular underlining the responsibilities of Controllers
10/12/2018	Review of preparedness for Regulation (EC) 1725/2018 in SCIC
End 2018/early 2019	Check of staff basic knowledge on data protection in Internal Control Survey

In line with Objective 3.3 in the Data Protection Action Plan, legacy data protection notifications have been gradually converted into records into the new system, Data Protection Management System (DPMS). . Action has been undertaken by the DG's units to ensure that the new requirements are integrated.

In addition, DG SCIC fulfils an important role as Chair of the Data Protection Working Group on the practical implementation of the Regulation. The working group assists the Data Protection Officer (DPO) and his team in establishing priorities and working on crosscutting issues.

With regards to document management, DG SCIC continued to update its information management practices by moving towards the digital management of documents and files, as the vast majority of its archives are paper based. The DG manages a large amount of personal data of interpreters and Auxiliary Conference Interpreters (ACIs), both as accredited freelance interpreters and candidates. This meant that each series of files required a manual and exhaustive review, a process, which was started in 2018 and will be reflected in the objectives for 2019 and beyond.

## 2.2.4 External communication activities

In line with its **2018-2020 Communication Strategy**, DG Interpretation carried out external communication activities in three main areas in 2018: the

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<sup>21</sup> Ares (2018)3066734

organisation of and participation in campaigns and flagship events, social media and web activities, and video production.

With regards to campaigns and events, DG Interpretation co-organised an inter-institutional **awareness raising campaign to promote interpreters' training in Denmark**. It also organised the **22<sup>nd</sup> SCIC Universities Conference** and acted as a co-organiser for the **Open Doors Day** (setting up of the programme at the Schuman room, including animation, interpretation, and a common information stand with DGT).

DG SCIC also actively participated in the **European Development Days**. Furthermore, the DG collaborated closely with DGT as well as with the interpreting and translating services of the other EU institutions to have a strong presence at the **London Language Show** and the **Drongo Festival** (Netherlands).

In the domain of social media and web activities, DG Interpretation continued to increase its online presence and reach. Views and interactions grew on Twitter, Instagram, YouTube, as well as on Facebook, all under the hashtag **"#EUInterpreters"**. We managed the revision of web pages devoted to **freelance interpretation on the Europa site**. These pages are now accessible in all the official languages.

Last but not least, the strategic communication and outreach unit produced and published several **videos promoting multilingualism, international cooperation in the framework of PAMCIT** (Pan-African Masters Consortium in Interpretation and Translation), **interpreters' involvement in the Bulgarian and Austrian presidencies**, the **Knowledge Centre on Interpretation** and the **European Day of Languages**.