



2016

Annual Activity Report

Structural Reform
Support Service -
SRSS

Foreword

2016 was a year of development and growth for the Structural Reform Support Service: we continued to build the foundations of the Service, extended support activities from two to eight Member States and broadened its scope of action to new areas like the Capital Markets Union.

We also made progress in setting up a mechanism that will allow the different Commission services to deliver technical support to the Member States in a more coherent and consistent way.

The Service also was tasked with a new important challenge: coordinating the Commission's efforts to support the Cyprus Settlement process under the auspices of the United Nations.

At the request of the President the Service took on a major role in the implementation of the EU-Turkey statement on migration management

2016 was also the year where the SRSS stabilised its structure and saw its staff increase along with its new responsibilities. After 18 months in place, the SRSS now disposes of the structures and arrangements needed to tackle the challenge of supporting Member States in their efforts to recover from the financial crisis and to unlock their growth potential. This will be facilitated by the future Structural Reform Support Programme, which is to be adopted in 2017.

This is my first report and I am confident that it will give you a comprehensive overview of the SRSS activities.

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THE SRSS IN BRIEF

The European Commission, under the presidency of Jean-Claude Juncker, has committed itself to a positive agenda to help Member States recover from the financial and economic crises and to unlock the growth potential of their economies to the benefit of all societies.

Effective implementation of structural reforms, timely and adequate transposition of the Union acquis and efficient and effective use of the EU funds are vital for encouraging investment, unlocking the growth potential, raising living standards and supporting the process of convergence in the EU.

To help EU Member States address the implementation challenge, the European Commission set up the Structural Reform Support Service (SRSS) in July 2015.

In June 2015, the College decided - drawing on the expertise and know-how of the Task Force for Greece and the Support Group for Cyprus, amongst others, and recognising that winding down and re-creating task forces would result in an important loss of expertise, practical know-how and efficiency - to set up a new central service within the Secretary General, the SRSS, under the responsibility of the Vice-President for the Euro and Social Dialogue, Financial Stability, Financial Services and Capital Markets Union, VP Dombrovskis.

The SRSS is responsible for steering and coordinating technical support for individual Member States (MS) in cooperation with other Commission services, other Member States and/or other international organisations. The emphasis is on the provision of support for the preparation and implementation of growth-enhancing institutional and structural and administrative reforms in MS, in particular in the context of economic governance processes, and including assistance for the efficient and effective use of the Union Funds. The SRSS operates upon request from the Member State concerned. The new service draws on a wealth of expertise from across the Commission, Member States and international bodies and may be described as a permanent, but flexible, structure in the Commission with a wider mandate, offering tailored expertise and practical technical support to any Member State that requests it.

Since October 2015 the SRSS has been assisting the Greek authorities with the management of the migration crisis. This mandate was further reinforced in March 2016 when the Head of the SRSS was nominated as EU-coordinator for the implementation of the EU-Turkey statement.

Furthermore, in February 2016, the SRSS received the special assignment of coordinating all the Commission's efforts to support the Cyprus Settlement process, under the auspices of the United Nations, for the reunification of Cyprus, ensuring the implementation of EU Aid Programme for the Turkish Cypriot Community¹, and monitoring the application of the Green Line Regulation. To this end, the former "Task Force for the Turkish Cypriot community" was transferred from DG REGIO to the SRSS and, together with the SRSS team supporting President Juncker's Personal Representative to the Good Offices Mission of the United Nations in Cyprus, Pieter Van Nuffel, formed the unit "Cyprus Settlement Support". The Aid Programme is implemented in a unique and complex environment: the territory of a Member State in which its Government does not exercise effective control and where the application of EU acquis is

¹ Minutes of the 2157th meeting of the Commission held in Brussels (Berlaymont) on 17 February 2016 PV(2016) 2157 final.

suspended.

In April 2016, the Commission modified the initial SRSS decision of June 2015, based on a thematic structure (i.e. clusters), and provided it with a formal administrative organisation (i.e. units), as well as with an establishment plan (cf.2.2.1 Human resources management).

EXECUTIVE SUMMARY

The Annual Activity Report is a management report from the Director-General of SRSS to the College of Commissioners. Annual Activity Reports are the main instrument of management accountability within the Commission and constitute the basis on which the College takes political responsibility for the decisions it takes and for the coordinating, executive and management functions that it exercises, as laid down in the Treaties².

The executive summary has four subsections:

- a) Key results and progress made towards the achievement of general and specific objectives of the SRSS (executive summary of section 1; *what* we have delivered);
- b) The most relevant Key Performance Indicators (KPIs) for the illustration of policy highlights identified in the SRSS 2016-2020 Strategic Plan;
- c) Key conclusions on Financial Management and Internal Control (executive summary of section 2.1; *how* we have delivered); and
- d) Information for the Commissioner

² Article 17(1) of the Treaty on European Union

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

The implementation of administrative and structural reforms is essential to strengthen the adjustment capacity of the economy and to help move to and/or remain on a sustainable growth path.

The SRSS general objective is to help EU countries build more effective institutions, stronger governance frameworks and efficient public administrations. In 2016, following Member States' requests, the Commission, through the SRSS, actively assisted Member States in preparing and implementing reforms. The fact that the SRSS is a demand-driven service, whose support has been requested by Member States, demonstrates that there is a significant gap in addressing administrative and structural reforms. The Commission has responded to the demand from the Member States and provided practical support to them through the SRSS technical support activities.

By supporting such reforms the SRSS contributed directly to "**Jobs, Growth and Investment**", one of the Commissions ten political priorities and the general objective for the SRSS. In addition, due to its broad ranges of activities, the SRSS contributed indirectly to eight of the other Commission priorities.

The first specific objective of the SRSS is to help, through the provision of technical support, Member States to prepare and implement reforms, in particular in the context of EU economic governance processes. Notwithstanding the provision of support, overall ownership and responsibility for the policies and reforms developed and implemented remain with the Member States themselves.

The support provided ranged from the presence of resident experts on the ground in Member States, expert missions, and study visits to the expertise provided by the Commission, other international organisations and Member States or the private sector.

In 2016, following requests from Member States, the SRSS provided support to eight Member States in a wide range of policy areas such as public administration, the business environment, labour markets, health care, education, taxation, public financial management, access to finance and financial institutions' legal, institutional issues and policies, and, last but not least, migration management.

The activities can be summarised as follows:

- A total of 66 new technical support activities were undertaken in 2016, through grant agreements with international organisations and national agencies and through contracts with private organisations (Cf. Annex 10).
- In addition, the SRSS organised and funded a total of over 60 working visits mobilising around 200 external experts (from national authorities and the private sector).
- At the same time the SRSS continued to manage or concluded the support activities started in years 2014 and 2015 and began negotiations with MS and providers for some of the activities that will start formally in 2017.

These activities supported public authorities in 8 Member States to, amongst others, adopt best practices, modernise legal frameworks, develop capacity and streamline their internal processes. Such support helps Member States to become more efficient and effective in the delivery of services to EU citizens.

EU added value was created through the provision of assistance on the ground in areas where the Member States lacked the capacity to respond and/or other EU policies could not meet the need identified. The support ensured complementarity and synergies with other Union programmes and policies, contributed to the implementation of EU law and the exchange of good practices, promoted mutual trust between Member States and the Commission and addressed national challenges impacting on cross-border or EU-wide

challenges.

Besides providing technical support to the MS, the SRSS focused in 2016 in setting up a mechanism to steer and coordinate the support provided to Member States across different Commission services and with respect to external actors in the field. Following extensive discussions with other Commission services and in particular with those responsible for the provision of assistance under Union Funds, the main elements of the coordination mechanism are in place: the objectives have been identified; the scope of the coordination mechanism and its relation with other existing instruments (other funds) has been defined; and stable structure for coordination has been put in place. With this coordination mechanism recently put into place, it is still too soon to assess its functioning and impact.

In 2016, the Structural Reform Support Service became responsible for coordinating the Commission's efforts to support the process led by the United Nations for the reunification of Cyprus. A settlement of the Cyprus problem promises considerable benefits for the citizens of the entire island, as well as the EU as a whole. The SRSS continued to support the President's Personal Representative and took over the delivery of the assistance to the Turkish Cypriot community under Council Regulation (EC) No 389/2006 (the "Aid Programme")³, as well as the monitoring the implementation of the Green Line Regulation⁴.

In 2016, the SRSS prepared the Annual Reports from the Commission on the implementation of the Green Line and Aid Regulations. Under the Aid Programme, the SRSS provided assistance to facilitate the reunification of Cyprus by preparing the beneficiaries for a settlement (e.g., support to the private sector and rural development), and to support civil society. It funded the work of the World Bank on economic monitoring, focusing on fiscal analysis. The Aid Programme continued to fund the activities of the Committee on Missing Persons and the bi-communal Technical Committee on Cultural Heritage, and provided the funds for the construction works necessary for the opening of two new crossing points over the Green Line (works that are implemented by the United Nations Development Programme).

In 2016, the SRSS became more intensely involved in assisting the Greek authorities with the management of the migration crisis and, as of 18 March 2016, with the implementation of the EU-Turkey Statement. The existing Commission team already on the ground in Greece was reinforced through the addition of 3 SRSS staff and 4 member states experts.

In 2016, SRSS intervention developed from providing the Greek authorities with support in terms of logistics, materials and expertise following individual requests, to a structured support based on different coordination mechanisms such as a Steering Committee, chaired by the SRSS with the participation of the Greek authorities, the European Asylum Support Office (EASO), Frontex, Europol, and representatives of Council Presidency, France, the United Kingdom and Germany, and Inter-agency meetings chaired by the SRSS with the participation of the Greek authorities, the International Organisations for Migration (IOM) and the United Nations' High Commission for Refugees (UNHCR).

³ Council Regulation (EC) No 389/2006 of 27 February 2006 establishing an instrument of financial support for encouraging the economic development of the Turkish Cypriot community and amending Council Regulation (EC) no 2667/2000 on the European Agency for Reconstruction, OJ L 65 of 7.3.2006, p.5.

⁴ Council Regulation (EC) No 866/2004 of 29 April 2004 on a regime under Article 3 of Protocol 10 to the Act of Accession, OJ L 206, 9.6.2004, p.51.

b) Key Performance Indicators (KPIs)

Most relevant KPI 4 – Tendency to trust the EU as an institution (category Turkish Cypriot community (TCc))

Source of data: Eurobarometer

Year	Milestone (and target for 2020)	Result (%)
2015		51
2016		52
2017	56	
2020	60	

Most relevant KPI 5: Number of enterprises having received EU support in the form of a grant

Source of data: KOBIGEM/EUPSO

Year	Milestone (and target for 2020)	Result
2015		330
2016		330
2017	370	
2020	420	

c) Key conclusions on financial management and internal control (executive summary of section 2.1)

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

The Commission has adopted a set of internal control standards, based on international good practice and aimed at ensuring the achievement of policy and operational objectives. The financial regulation requires that the organisational structure and the internal control systems used for the implementation of the budget are set up in accordance with these standards. The SRSS assessed the internal control systems during the reporting year and has concluded that the internal control standards were implemented and functioned as intended, with the exception of some standards, which need further improvement or actual development; this is due to the recent creation of the Service. Please refer to AAR section 2.1.3 for further details.

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

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

d) Information for the Commissioner

In the context of the regular meetings during the year between SRSS and the Commissioner on management matters, the main elements of this report and the declaration of assurance were also brought to the attention of Vice-President Valdis Dombrovskis, responsible for Vice-President for the Euro and Social Dialogue, also in charge of Financial Stability, Financial Services and Capital Markets Union.

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

A sound regulatory and institutional environment and a smoothly functioning economy are essential for making gains in competitiveness, encouraging investment, fostering employment creations, raising living standards and delivering sustainable growth across the EU. The implementation of administrative and structural reforms is essential to strengthen the adjustment capacity of the economy and help move to and/or remain on a sustainable growth path. The Commission recognises the importance of such reforms while acknowledging the challenges that Member States face in preparing and implementing such reforms.

The SRSS general objective is to help EU countries to build more effective institutions, stronger governance frameworks and efficient public administrations. In 2016, the Commission, through the SRSS, actively assisted Member States in preparing and implementing reforms.

The SRSS is a demand-driven service and it provides support upon request by a Member State only after specific projects are mutually agreed between the Commission and the Member State concerned. In assisting Member States, the SRSS takes a macroeconomic country-specific perspective in examining all needs and requests for assistance from each Member State.

By supporting the implementation of administrative and structural reforms in Member States, the SRSS has contributed directly to "**Jobs, Growth and Investment**", one of the Commission's ten political priorities and the general objective for the SRSS. In addition, due to its broad range of activities, the SRSS has contributed indirectly to eight of the other Commission priorities (Digital Single Market, Energy union and climate, Internal Market, A deeper and fairer economic and monetary union, Justice and fundamental rights, Migration, A stronger global actor, Democratic change).

In contributing to the general objective, the work of the SRSS focused on three specific objectives as identified in the Strategic Plan 2016-2020:

- 1) Help Member States to prepare and implement growth-enhancing administrative and structural reforms, in particular in the context of EU economic governance processes, through the provision of technical support;
- 2) Efficient steering and coordination of technical support provision to Member States across different Commission services as well as with respect to external actors in the field; and
- 3) Provision of assistance to the Turkish Cypriot community and efficient coordination of the Commission's efforts to support the process led by the United Nations for the reunification of Cyprus.

Help Member States to prepare and implement growth-enhancing administrative and structural reforms, in particular in the context of EU economic governance processes, through the provision of technical support

In 2016, Member States' requests for support covered the implementation of reforms in the context of economic governance processes, in particular relevant Country Specific

Recommendations issued in the context of the European Semester or of relevant actions related to the implementation of EU law. In addition, requests were linked to the implementation of economic adjustment programmes (e.g. Greece and Cyprus while still under the programme) and also to the implementation of reforms undertaken at the initiative of Member States themselves.

While providing support to Member States, the SRSS has no direct ownership and responsibility for the policies and reforms that are developed and implemented by the Member States. The role of the SRSS is to contribute actively to strengthening the overall capacity of Member States, which request support to prepare and implement growth-enhancing institutional, structural and administrative reforms. In this context, contributes to the general objective of "Jobs, Growth and Investment".

In 2016, in achieving this specific objective, the SRSS created added value through the provision of concrete assistance on the ground in areas where the Member States lacked the capacity to respond and/or other EU policies could not meet the need identified. The support ensured complementarity and synergies with other Union programmes and policies, contributed to the implementation of EU law and the exchange of good practices, promoted mutual trust between Member States and the Commission and addressed national challenges impacting on cross-border or EU-wide challenges.

In line with the need to tailor the support to the specific circumstances of each request from a Member State, the support provided by the SRSS took many different forms. It ranged from the placing resident experts on the ground in Member States, expert missions, and study visits, to the delivery of expertise by the Commission, other international organisations and Member States or the private sector.

In this context, and following requests from the Member States, the SRSS, provided assistance to 8 Member States in 2016: Bulgaria, Czech Republic, Greece, Cyprus, Croatia, Slovenia, Slovakia and Romania.

The SRSS technical support actions were financed through financial resources from the centrally-managed technical assistance budget of the European Structural and Investment Funds (ESIF)⁵, and the Preparatory Action for "Capacity development and institution building to support the implementation of economic reforms" (2016).

The support provided covered the following policy areas:

- Public financial management, budget, taxation;
- Business environment, investment, innovation, competition, trade, energy, regulation and privatisation;
- Employment, social inclusion, training, public health, education, pensions, social welfare systems;
- Efficient, modern, service-oriented public administrations and public procurement practices;

⁵ These included financial resources transferred by Member States receiving Union financial assistance (Greece) to the Commission under Article 25 of Regulation (EU) No 1303/2013 of the European Parliament and of the Council of 17 December 2013, laying down general provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund and the European Maritime and Fisheries Fund and repealing Council Regulation (EC) No 1083/2006).

- Effective rule of law and combatting corruption, anti-money-laundering and anti-fraud, judicial systems;
- Access to finance, insolvency frameworks, legal and institutional issues related to financial institutions, financial sector policies;
- Agriculture, rural development, environment and transport; and
- Migration and border control;

A detailed analysis of the activities carried out, by policy area, is provided below. The activities can be summarised as follows:

-A total of 66 new technical support activities were undertaken in 2016, through grant agreements with international organisations and national agencies and through contracts with private organisations (Cf. Annex 10).

-In addition, the SRSS organised and funded a total of over 60 working visits, mobilising around 200 external experts (from national authorities and the private sector).

-At the same time, the SRSS continued to manage or concluded the support activities started in years 2014 and 2015 and began negotiations with MS and providers for some of the activities that will start formally in 2017.

Public financial management, budget, taxation

In 2016, the SRSS offered extensive support on public financial management and taxation. Assistance in these policy areas can be instrumental in developing productive resources for Member States and helping them to develop the capacity to manage their economic policies and financial affairs more effectively.

The support on public financial management was strongly focussed on the delivery of assistance for spending reviews and for independent fiscal institutions. The SRSS engagement in this area covered Greece, Cyprus, Romania, Slovenia and Slovakia.

The assistance to the Greek authorities involved a pilot phase of spending reviews in ministries responsible for the economy, finance and culture with visits of experts from other Member States. The Cypriot authorities also benefited from considerable assistance in this policy area through the presence of an embedded resident expert offering technical support to the Ministry of Finance. In Romania, the SRSS initiated work on a spending-review project, while in Slovenia some assistance focused on the area of culture. Support was also provided to Slovakia for a spending review covering the areas of health, transport and IT, while a second phase of assistance is underway, covering welfare and pensions, the environment and education.

In addition to spending reviews, in 2016, the SRSS engaged in discussions and several projects regarding the Fiscal Councils in Greece, Cyprus and Bulgaria.

In the field of taxation, the SRSS continued to provide considerable assistance to Greece and Cyprus to strengthen and make their tax administrations more efficient and effective.

This assistance was provided through a mix of SRSS staff expertise (Brussels- or Athens-based), expertise from Member States or contracts with Member States agencies (BTC in Greece) and international organisations (IMF in both Greece and Cyprus). In Greece, thanks to a strong resident-advisor team, the SRSS played a key role in sustaining the revenue-administration reform process: the transformation of the General Secretariat for Public Revenue into an autonomous revenue agency, further progress on debt collection, the reorganisation of the customs administration, and preparatory work on the

establishment of a tax and customs academy. The SRSS also supported the integration of the collection of social security contributions, hitherto dispersed across the various Social Security Funds, with a view to its final integration into the tax administration. In Cyprus, the SRSS supported the integration of the administrations in charge of indirect and direct taxes into a single Cyprus Tax Department.

Business environment, investment, innovation, competition, trade, energy, regulation and privatisation

In this policy area, in 2016, the SRSS delivered assistance primarily to Greece and Cyprus, while support was also provided to Croatia and initiated for Slovenia and Romania.

In Greece, the SRSS provided support to help the authorities remove barriers to competition (in the manufacturing, wholesale trade, construction, e-commerce and the media sectors), implement a trade facilitation roadmap, update the strategy and action plan on logistics, improve the governance of State Owned Enterprises (SOEs), and develop the legal framework on establishing a privatisation and investment fund, as well as making it operational. Also, support was provided to adopt an action plan to facilitate investment licencing through reviewing licensing requirements in the areas of tourism, food safety and mining, and adopting a new investment licensing law. Greece also benefited from SRSS assistance in mapping the whole of Greece and completing the relevant information for the cadastre and establishing new cadastral offices.

In Cyprus, technical support actions were aimed at helping to improve export performance, build capacity for negotiate international investment agreements, improve licensing processes and the legal framework governing investment, and facilitate the participation of Cyprus in international benchmarking indicators that monitor entrepreneurship. Also, within 2016, a project assisting with the re-use of public sector information according to EU legislation was successfully concluded. The authorities are continuing work in this area, where it is expected that the freely available and reusable public information will lead to greater government transparency and accountability, stronger and wider civic engagement and participation, increased public-sector efficiency and more business innovation and entrepreneurship. In addition, support was provided on projects in the area of culture, aiming to enrich and diversify the tourism product. Since tourism is a key sector for Cyprus, these projects are of particular importance in supporting cultural tourism and extending the tourism season. Also, the SRSS helped to develop the capacity of local stakeholders (e.g. local authorities, NGOs, businesses, government departments) to participate in EU competitive programmes.

In addition to Greece and Cyprus, Croatia was one of the first Member States that has benefited from technical support in this policy field. Representatives from the Croatian authorities visited Slovenia and exchanged information on the how to operate a point of single contact⁶.

In the area of energy, in 2016 support was provided to the Greek authorities to promote renewable energy sources (e.g. feed-in premiums, competitive tenders, virtual net

⁶ The Points of Single Contact (PSCs) are e-government portals for entrepreneurs active in the service sector. It is a legal requirement to have a PSC in each EU country since December 2009 as set out in the [EU Services Directive](#). EU countries are not legally obliged to make tax and social security procedures available through the PSCs. However, a large number of EU countries already provide for this possibility, and all others are encouraged to do so too.

metering, community energy projects, national energy audit scheme, etc.). This helped to remove regulatory, economic, and informational barriers in order to support the further development of the use renewable energy sources.

Also in 2016, the SRSS provided significant support to Cyprus in the energy area. These activities included projects helping to promote renewables in Cyprus, improve energy efficiency (including in the transport sector), enhance energy performance in buildings, develop the capacity of institutional stakeholders in the energy market, and upgrade and strengthen the regulatory environment in the energy sector.

Employment, social inclusion, training, public health, education, pensions, social welfare systems

In 2016, support for reforms in these areas was provided to Greece, Cyprus, Bulgaria, Croatia and Slovenia.

In Greece, the reform of the social protection system was supported through a number of projects. A comprehensive review of the social welfare system helped the government to identify options for a more effective allocation of the social budget. Assistance was also provided on the design and the implementation of the national roll-out of a Guaranteed Minimum Income (GMI), which ensures a more effective safety net by providing adequate coverage of the most vulnerable members of society. A pilot scheme was successfully implemented in 2016, with the national roll-out beginning in January 2017.

In the field of active labour market policies, international expertise provided through the SRSS, contributed to reengineering the processes of the Public Employment Services (PES) and their IT systems. Support was also provided in order to create a new generation of public work schemes (Kinofelis) to help the re-integration of into long-term unemployed into the labour market. In the area of undeclared work, support was delivered for an in-depth assessment of its key drivers in Greece, on the basis of which a national roadmap to fight undeclared work was developed and agreed in consultation with all social partners.

A number of projects supported institutional reorganisation and capacity building. For instance, technical support was provided to integrate the many pre-existing social security funds into a single agency, EFKA, which started operations in January 2017. Another project on strengthening the capacity of the Ministry of Labour, Social Insurance and Social Solidarity (MLSISS) resulted in an in-depth review of its internal organisation, which will feed into the ongoing administrative reforms.

Also, in 2016, assistance was offered to the Cypriot authorities to simplify the procedures related to the collection of social contributions and the payments of unemployment benefits.

In addition, the SRSS assisted Bulgaria and Croatia with the reform of their disability systems towards a stronger focus on remaining work ability, through study visits and the exchange of best practices.

With the aim of supporting the development of the social economy, the groundwork was prepared in order to begin providing assistance to the Greek authorities as of 2017. The aim is to strengthen stakeholders' capacity to establish effective structures to foster and widen a thriving social economy sector (e.g. through tools such as needs analysis, mapping, legislation, policy dialogue, etc.).

In the area of health, in 2016, the SRSS assisted with the structural reform of the health sector in Greece and more specifically the development of further capacity in the Ministry of Health and supporting its efforts in designing and implementing universal coverage enhancing reforms. In Cyprus, the SRSS delivered assistance to help implement the IT infrastructure, systems and operational business processes, which will support a national

healthcare system, while the authorities also benefited from support in the field of data mining, data analysis and reporting on healthcare, and in the development of the global budget for outpatient laboratory tests under the National Health Insurance System implementation. In Croatia, the SRSS helped the authorities to reorganise and rationalise the provision of non-clinical services offered in hospitals, while in Slovenia, support was provided to reform long-term care, and to strengthen the framework for monitoring the quality and safety of healthcare services.

In 2016, in the field of education, the SRSS assisted with the implementation of the newly developed national strategy for the modernisation of Vocational Education and Training (VET) in selected key focus areas and the expansion of apprenticeships in Greece. In Cyprus, the SRSS supported the authorities by organising study visits and providing expert advice to establish a performance-based funding element in the public universities; improving teachers' professional learning and drafting business requirement document for developing an IT School Management System. The aforementioned projects are part of the ongoing technical support and will continue in 2017.

Efficient, modern, service-oriented public administrations and public procurement practices

In the public administration filed, during 2016, the SRSS was mainly engaged in Greece, supporting the overall reform of central and local public administration. The chief activities involved the delivery of support to improve the governance of the public administration, including inter-ministerial coordination, to enhance human resources management, to strengthen transparency and accountability in the public sector, to improve the quality of e-government, and to develop an internal and external communication strategy in order to accompany change management in the public sector.

In the area of local government, a project was undertaken to enhance the capacity of Greek local authorities, by improving the allocation and structure of competence flows between the State and local authorities, by enhancing the supervision system, by improving the public financial management of the local authorities and by setting up anti-corruption mechanisms at the local level.

Also in 2016, the SRSS provided targeted assistance for the effective roll-out of an action plan for the reform of the national public procurement system in Greece. Building on previous assistance projects, this project focused on central purchasing (aggregation of procurement) and on the assessment of the national e-procurement tools.

In 2016, the SRSS supported the Greek authorities in the implementation of European Structural and Investment Funds (ESIF). Building on previous work relating to simplification, the SRSS Athens office was heavily involved in the simplification of the payment process for co-financed actions. Following an SRSS initiative, a working group – involving high level officials and the SRSS – was established by the Secretary General of Investments and the National Strategic Reference Framework (NSRF) and it delivered numerous concrete proposals for change, notably as regards lifting unnecessary steps and streamlining the whole process of the payment flow. These recommendations were endorsed at political level and associated legislative measures were taken. In addition to this, the SRSS provided direct assistance to the Greek authorities to address the requirements under the Memorandum of Understanding related to the implementation of measures relevant to the better absorption of ESIF.

In 2016, the SRSS gave direct assistance to help tackle issues of corruption and fraud, mainly related to the use of EU funds, and aimed at improving the Greek management and control systems. The main focus in this area was the implementation of a specific strategy to combat fraud, in accordance with international and European standards based on the Anti-Fraud final review report, and to tackle issues relating to the fight against corruption in the area of the Structural Funds in Greece.

In Cyprus, the SRSS activities included the introduction of a performance appraisal system for the public administration reform. Some initial activities in the same area were started in Slovenia, focusing on human resources management. The SRSS also began discussions with Croatia regarding assistance on human resource issues (e.g. payroll, promotion system, and training) in the public sector.

Effective rule of law and combatting corruption, anti-money-laundering and anti-fraud, and judicial systems

In the anti-corruption area, in 2016, the SRSS Athens office gave continuous direct assistance in the area of anti-corruption in addition to planning, drafting and monitoring the implementation of OECD support. In addition, the SRSS supported an anti-Corruption training programme and smaller projects. This direct assistance covered chiefly those areas of implementation of the Greek Anti-Corruption Action Plan (a MoU requirement) that were not included in the above-mentioned assistance. For example, such actions were regular guidance on the implementation and revision of the Action Plan, annual reporting of the GSAC (General Secretariat of Anti-Corruption), enhancement of the information given to citizens, regular revision of various laws in relation to requirements of international Anti-Corruption Conventions, and offering guidance in various processes relating to criminal investigation, prosecution and other control mechanisms.

In 2016, in the area of judicial reforms, the SRSS engaged in a major project in Greece. The SRSS delivered support actions in the area of judicial operations involving court mapping processes, the insolvency framework and the company registration process in Croatia and assisted the mapping and organisation of court processes in Slovenia. In Bulgaria, the SRSS organised and supervised an independent analysis of the functioning and structure of its Prosecutors Office. In Cyprus, the SRSS established contacts with the Supreme Court and the Law Office, which have subsequently submitted requests to support a comprehensive review of their operations and for the development of reform plans. In addition, support was delivered to help create and redesign forms and the website of a government department and to prepare and promote legislative reforms concerning the business registry.

Access to finance, insolvency frameworks, legal and institutional issues related to financial institutions, and financial sector policies

In 2016, the SRSS engaged with authorities in several Member States, including the public sector, central banks and supervisory authorities, to facilitate structural reforms to improve the functioning of the financial sector. The support covered issues related to financial and credit institutions (e.g. legal and institutional issues, supervision, resolution, competition), access to finance (e.g. Capital Markets Union, micro-finance, credit mediation, venture capital, etc.), insolvency (legal and institutional issues), and insurance undertakings (e.g. legal and institutional issues, supervision, regulation, etc.).

In addition, within the area of the financial sector, the SRSS launched three work-streams to develop specific support arrangements for the delivery of support related to the Capital Markets Union, non-performing loans and financial stability. This includes developing policy priorities internal to the Commission with the relevant line DGs, as well as engaging in a discussion with support providers who are active in these areas, in particular international organisations. Finally, this allowed, in particular on Capital Markets Union, a communication exercise to be launched, where information was passed to Member States on engagement with the SRSS in this area. These work-streams have led to the raising of awareness with stakeholders of the SRSS financial sector work and are ultimately aimed at increasing the amount and quality of requests for support in the

future.

In 2016, the SRSS began offering support to the Czech authorities to assess capital markets and launched a project to develop the capital markets supervisory framework in Romania. In addition, the SRSS started work on a series of projects in Slovenia supporting the development of banking regulation, managing non-performing loans, and offering assistance to the Central Bank to further develop its supervisory practices of banks' business models. The SRSS also advised the Greek authorities by delivering a series of workshops on the creation of a development agency; SRSS staff provided input into the project to encourage electronic payments in Greece and delivered support to the review of the governance of the systemic Greek banks. Finally, in Cyprus, the SRSS offered support to the Public Debt Management Office on adopting a primary dealer system.

Agriculture, rural development, environment and transport

In 2016, support was provided to Cyprus for implementing a municipal waste management plan. Support was also provided for capacity building in the relevant Ministry.

Migration Crisis Management in Greece

Since October 2015, the SRSS, in close collaboration with the relevant Commission services and EU agencies, has been supporting the Greek Authorities on migration management. Since March 2016, the Head of the SRSS is also the EU-coordinator for the implementation of the EU-Turkey Statement on migration mandated by the Commission President to coordinate support provided by EU Members States and EU Agencies to Greece, and to coordinate the actions of Member States for the implementation of the Syrian refugees' resettlement programme from Turkey.

The Head of the SRSS is assisted in this task by SRSS staff in Brussels and on the ground in Athens. He is also assisted by Member State experts placed at his disposal in Athens and Ankara.

SRSS intervention rapidly developed from providing the Greek authorities with support in terms of logistics, materials and expertise following individual requests, to a structured support based on different coordination mechanisms which include:

- A Steering committee, chaired by the Head of the SRSS with the participation of the Greek authorities, the European Asylum Support Office (EASO), Frontex, Europol, and representatives of the Council Presidency, France, the United Kingdom and Germany, which meets on a bi-weekly basis to oversee the implementation of the EU-Turkey Statement and addresses bottlenecks;
- Bi-weekly Inter-agency meetings chaired by the SRSS with the participation of the Greek authorities, the International Organisation for Migration (IOM) and the United Nations' High Commission for Refugees (UNHCR), which offer a forum to exchange information on day-to-day operations, analyse relevant data and address joint operational challenges.

In 2016, the SRSS provided support for crisis management in Greece: to help the Greek government in formulating priority actions, facilitating coordination with numerous stakeholders (Commission services, EU agencies, international organisations, partner organisations and Member States) and implementing concrete actions. Such actions included the establishment and functioning of hotspots in 5 islands, the adaptation of the hotspots to the implementation of the EU-Turkey Statement, the acceleration of

processes applicable to irregular migrants arriving at the islands including information provision, the asylum process and the return process to Turkey, facilitation of the establishment of a multiannual Assisted Voluntary Return and Reintegration programme and its adaptation to the hotspot islands, support for the establishment of reception capacity on the mainland and the provision of food and services at the reception centres, as well as putting in place the necessary structures to absorb the migration funds available to Greece under the national programmes of DG HOME's financing instruments for migration (AMIF and ISF).

Also in 2016, the SRSS began to provide - in close cooperation with other Commission services (notably DG HOME and DG ECHO) - support for structural reforms, which are expected to have a long-lasting effect on the migration management capacity of Greece. This includes support for capacity building in the Asylum Service, the Appeals Authority and the Reception and Identification Service. The reforms in question also cover the design and implementation of appropriate management processes in the reception centres at the hotspots on Greek islands and on the mainland.

Further to the delivery of technical support in 2016, the authorities in all Member States concerned have shown commitment in implementation of technical support measures and an interest to continue the cooperation.

To enable the Commission, via the SRSS, to provide support for the preparation and implementation of structural reforms in all Member States, and not only in non-programme countries, the Commission adopted in November 2015 a proposal for setting up a comprehensive EU programme with a budget of EUR 142.8 million for the period 2017-2020 (Structural Reform Support Programme - SRSP). During 2016, the SRSS carried out negotiations with the Council and the European parliament with the aim of securing the adoption of the programme. The programme is expected to enter into force by mid-2017 at the latest. The SRSP will set out a clear and proportionate framework for the provision of support to Member States (the support cycle being: request for support, assessment by the Commission, conclusion of cooperation and support plans with Member States, adoption of annual work programmes serving as financing decisions, deployment of support measures on the ground, and annual reporting to the European Parliament and the Council); the first support measures are likely to be funded under the SRSP from around the 3rd quarter of 2017.

The European Court of Auditors carried out an audit on assistance provided to Greece by the Task Force for Greece, one of the predecessors of the SRSS. In relation to the delivery of Specific Objective 1 by the SRSS, in 2016 the SRSS, developed an action plan as a response to this audit (Cf. section 2.2.2 Audit observations and recommendations).

Efficient steering and coordination of technical support provision to Member States across different Commission services as well as with respect to external actors in the field

The SRSS is mandated to steer and coordinate the technical support provided by the Commission to the Member States, with the objective of supporting *"the preparation and implementation of growth enhancing administrative and structural reforms, in particular in the context of economic governance, including through assistance for the efficient and effective use of the European Structural Funds"*.

Against this background, the SRSS implements and leads an inter-service coordination mechanism to coordinate the technical support provided by the Commission to Member States that have requested such support.

Following its creation in mid-2015, the SRSS focused in 2016 on the setting up of the coordination mechanism. After extensive discussions with other Commission services and in particular with those responsible for the provision of assistance under Union Funds, the following components are now in place:

- a clear identification of the objectives of the coordination mechanism;
- a clear definition of the scope of the coordination mechanism and its relation with other existing instruments: i.e. with other governance mechanisms or actions plans, including those related to European economic governance and the existing mechanism for the implementation of the European Structural and Investment Funds (ESIF);
- a stable structure for the coordination mechanism, with three entities:
 - a "high level steering committee", meeting at senior management level, which can make recommendations and provide guidance on all aspects of the technical support provided to Member States, including funding priorities;
 - "technical support country teams", which share information and coordinate the support provided on specific Member States (as a start: Greece, Cyprus, Bulgaria, Romania, Slovenia, and Croatia). The technical support country teams work in coordination with the European Semester country teams;
 - a "working group for technical-support capacity" in charge of developing the synergies among the technical-support capacities of the Commission services (databases of external experts, creation of a database of Commission experts, methods for evaluating and monitoring technical support, etc.).

In 2016, the SRSS focused on the development of the coordination mechanism within the Commission and on coordinating with other external actors in the field: with Member States or with other actors (mainly providers).

The coordination mechanism also provides for the organisation of regular meetings with Member States ("High Level coordination meetings") to inform them about the state of play of the technical support provided by the Commission, mobilise expertise and discuss support in specific reform areas. A first "high level coordination committee" took place in July 2016 to inform Member States on the scope of technical support that the Commission can provide and other relevant points. The meeting was also attended by an important number of international technical support providers (EBRD, EIB, IMF, WB, etc.). Meetings were also organised with all Member States' Embassies in Greece and Cyprus to inform about the SRSS support.

Furthermore, the SRSS ensured that the provision of technical support through IFI's and other international bodies (OECD, ILO, Member States' agencies...) was always effected paying due attention to the creation of synergies and securing coordinated actions.

In the particular case of Greece, the provision of support takes place within the

framework of a Plan for technical cooperation in support of structural reforms, agreed between the Greek and the Commission authorities, and in partnership with other Member States and international organisations. This ensures a high degree of coordination of all actors involved in the provision of support to Greece⁷.

Setting up the coordination mechanism was the first step towards ensuring effective and efficient coordination of technical assistance provided by different Commission services. This will help to position the Commission as a unique technical support/assistance provider, with the SRSS acting as a coordinator and entry point for Member States. As a consequence, beneficiary Member States may make progress with respect to structural reform by benefitting from coordinated, coherent and effective support to prepare and implement reforms, particularly those set out in the EU country-specific recommendations.

Provision of assistance to the Turkish Cypriot community and efficient coordination of the Commission's efforts to support the process led by the United Nations for the reunification of Cyprus

The EU supports the negotiations under the auspices of the UN between the leaders of the Greek Cypriot and the Turkish Cypriot communities, which aim to reach a comprehensive settlement leading to the reunification of Cyprus.

Since the beginning of this Commission, the Cyprus settlement issue has been under the direct political responsibility of President Juncker. He appointed Mr Pieter Van Nuffel as his Personal Representative to the UN Good Offices Mission in Cyprus in July 2015. In 2016, the Structural Reform Support Service continued to support the Personal Representative. The Service also became responsible for delivery of the assistance to the Turkish Cypriot community under Council Regulation (EC) No 389/2006 (the "Aid Programme")⁸ and monitoring the implementation of the Green Line Regulation⁹.

Support to the Cyprus settlement process under the Juncker Commission

In 2016, The SRSS continued to be actively engaged in supporting the settlement talks. The Personal Representative of the President leads a support team of Commission officials from the Structural Reform Support Service working alongside the UN Good Offices at the UN Protected Area in Nicosia. The support team coordinates the Commission's support to the Bi-communal Ad Hoc Committee on EU Preparation, which operates under UN auspices and is mandated "to better prepare the future Turkish Cypriot Constituent State for the implementation of the EU *acquis* upon settlement". Since October 2015, the Ad Hoc Committee has met regularly with Commission experts. Until the end of 2016, 16 Directorates-General had participated in 23 *acquis* presentation

⁷ Several meetings took place in Athens (February, June 2016 and January 2017) to inform the Embassies of Member States and Norway, and international organisations, on the state of play of the technical support to the Greek Authorities and of the possibility to express interest for providing technical support. A similar meeting was held in Cyprus to brief the Member States' embassies on SRSS support and ask for their cooperation in providing technical support

⁸ Council Regulation (EC) No 389/2006 of 27 February 2006 establishing an instrument of financial support for encouraging the economic development of the Turkish Cypriot community and amending Council Regulation (EC) no 2667/2000 on the European Agency for Reconstruction, OJ L 65 of 7.3.2006, p.5.

⁹ Council Regulation (EC) No 866/2004 of 29 April 2004 on a regime under Article 3 of Protocol 10 to the Act of Accession, OJ L 206, 9.6.2004, p.51

missions to Cyprus, and 4 Directorates-General had undertaken successful fact-findings missions to identify gaps in, and propose technical assistance for, the implementation of the acquis upon settlement by the future Turkish Cypriot Constituent State.

In 2016, SRSS prepared the Annual Report from the Commission on the implementation of the Green Line Regulation¹⁰. Green-Line trade volume continued to increase for third consecutive year in 2016. However, despite this increase, the trade volume remains at a low level (and below the volume it reached prior to the economic crisis).

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

During the year 2016, the Aid programme to the Turkish Cypriot community continued to target all the objectives laid down by Regulation (EC) 389/2006. The main outputs during 2016 were the following:

- Development and restructuring of infrastructure: SRSS has worked on the preparation of the tender dossiers for the extension of the already-existing and EU-funded landfill and the new trunk sewer connecting the northern area of greater Nicosia with the Nicosia Wastewater Treatment Plant. Extensive work also took place to identify the repairs to the Famagusta Networks.
- Promoting social and economic development: technical assistance is being provided in a number of key areas to prepare the beneficiaries for a settlement, namely support for the private sector, rural development, metrology, and education, including vocational education and training in the labour market. The programme continued to fund the work of the World Bank on economic monitoring, focusing on fiscal analysis.
- Fostering reconciliation, confidence-building measures and support to civil society: the programme continued to fund the activities of the Committee on Missing Persons and the bi-communal Technical Committee on Cultural Heritage. The Aid Programme provided the funds for the construction works necessary for the opening of two new crossing points over the Green Line (works are implemented by the United Nations Development Programme). Support for civil society included technical assistance to increase capacity of civil society organisations and the creation of a platform (Civil Society Forum).

The EU is the main donor to the Committee on Missing Persons. In December 2016, the Commission extended the Delegation Agreements with UNDP to provide funding for the operations of the CMP over one year, until the end of 2017.

- Bringing the Turkish Cypriot community closer to the EU: the Programme has funded 151 scholarships for Turkish Cypriot students to attend a university in the rest of the EU, under a scheme managed by the British Council. The EU Infopoint, which the SRSS manages together with the Representation of the European Commission in Cyprus, has undertaken a wide range of activities covering 25 themes.

¹⁰ COM(2006) 494 final of 4.8.2016

- Preparing the Turkish Cypriot community to introduce and implement the acquis: assistance continued in 2016 around the same 16 areas, or "sectors", of the acquis as in previous years, in order to facilitate the reunification of Cyprus. 220 events were organised in 2016.

2. ORGANISATIONAL MANAGEMENT AND INTERNAL CONTROL

This section answers the question of *how* the achievements described in the previous section were delivered by the Service. This section is divided in two sub-sections.

The first sub-section reports on the control results and all other relevant information, which support the management's assurance on the achievement of the financial management and internal control objectives. It includes any additional information necessary for establishing that the available evidence is reliable, complete and comprehensive; appropriately covering all activities, programmes and management modes relevant for the Service.

The second sub-section 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 monitor 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:

- those by the Authorising Officer by Delegation (AOD) on the use of the budget received in cross-sub-delegation;
- the declarations by the Authorising Officers by Sub-Delegation (AOSD) on the legality and regularity of the transactions implemented under their responsibility;
- the results of the internal control monitoring at Service level as reported to the Internal Control Coordinator and to the AOD;
- those on control results from entrusted entities in indirect management;
- those on the ex-post controls and external audits performed on some grants awarded, and on the operation of the Service; and
- the observations and the recommendations reported by the European Court of Auditors (ECA).

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 complete coverage of the budget delegated to the Head of SRSS.

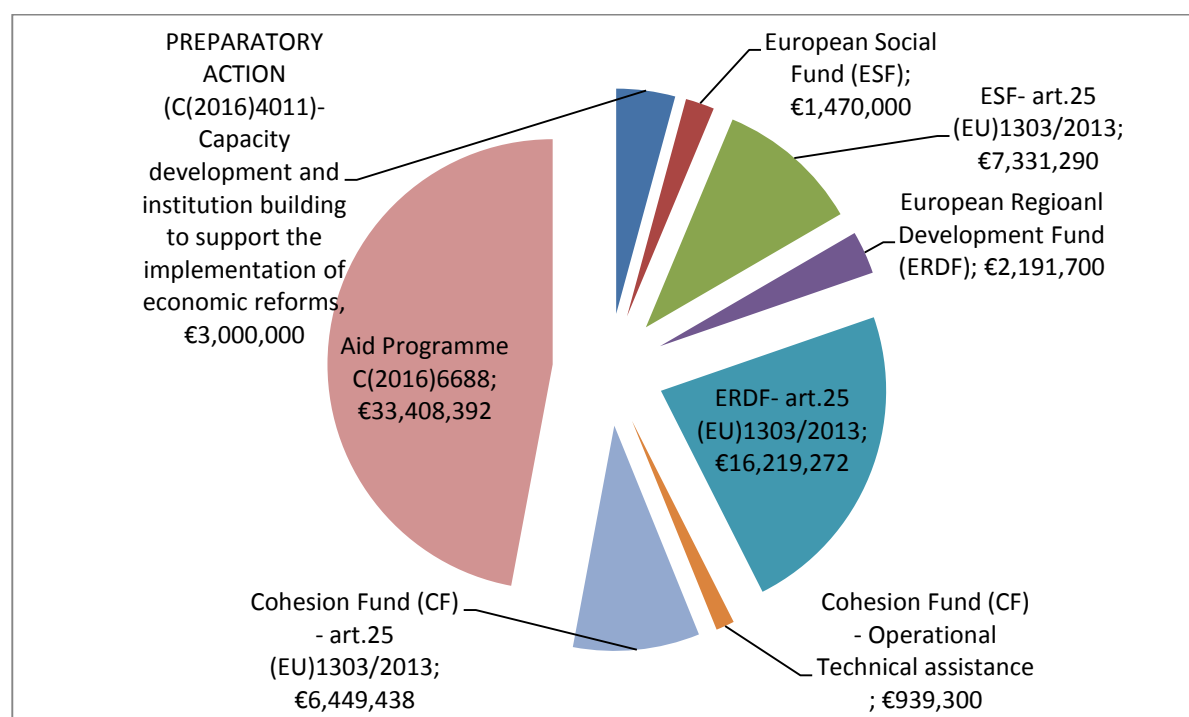
This section reports on the control results and other relevant elements that support management's assurance. It is structured into (a) Control results, (b) Audit observations and recommendations, (c) Effectiveness of the internal control system, and (d) the resulting Conclusions as regards assurance.

2.1.1 Control results

This section reports on and assesses the elements identified by management that support the assurance on the achievement of the internal control objectives¹¹. The Service's assurance-building and materiality criteria are outlined in Annex 4. Annex 5 outlines the main risks together with the control processes aimed to mitigate them and the indicators used to measure the performance of the control systems.

The SRSS total budget for 2016 (**commitment credits appropriations**) was **EUR 75.8 million**. This amount included the initial credits (**global envelope, support expenditure and operational credits**) received from DG REGIO and DG EMPL (EUR 44.6 million), as well as further net reinforcement of credits (EUR 31.2 million), which was made available during the year (see chart below). Almost 100% of credits were committed for expenditure.

The **2016 SRSS operational commitment credits appropriations** for a total amount of **EUR 71 million** were provided for operational technical assistance under the following Funds, one Preparatory Action and a Programme, and they were committed as follows:



Moreover, a total amount of **EUR 136 million** was carried forward (C8) from the same fund sources, which are mentioned in the graph above, and transferred to SRSS for implementation.

¹¹ Effectiveness, efficiency and economy of operations; reliability of reporting; safeguarding of assets and information; prevention, detection, correction and follow-up of fraud and irregularities; and adequate management of the risks relating to the legality and regularity of the underlying transactions, taking into account the multiannual character of programmes as well as the nature of the payments (FR Art 32)

In 2016, the SRSS implemented the provisions of the following financing decisions. Overall, the SRSS prioritised the use of resources under the previous years' work programmes in accordance with the technical support agreed with the relevant Member States, and in order to optimise the expenditure of valid credits.

European Structural and Investment Funds (ESI funds)

- **The 'Common Provision Regulation' (Regulation (EU) 1303/2013) – Art. 25 (Resources)** foresees that, upon the request of a Member State with temporary budgetary difficulties, part of the technical assistance resources provided for under the ESIF 2014-2020 may be transferred to technical assistance to the Commission for implementation of measures in the relevant Member State. Implementation can be made either by direct or indirect management. Measures include the identification, prioritisation and implementation of structural and administrative reforms in response to economic and social challenges in Member States. In 2016, the SRSS implemented the funds (i.e. EUR 15 million) that had been transferred by Greece in 2014. Under the work programmes **C(2014)1458 and C(2014)8556**, the SRSS awarded grants without calls for proposals to entities identified in the relevant financing decisions and procured services through middle- and low-value contracts. By the end of 2016 almost all funds were committed.
- **Commission Decision (C(2015)9053)** established operational technical assistance to implement activities of the Support Group for Cyprus (SGCY) at the initiative of the Commission in the framework of the EDRF and the CF. Moreover, in addition to the structural funds horizontal technical assistance available to the Task Force for Greece (TFGR), some further technical support was also established in response to a request from Greece. In 2016 the SRSS, having integrated the TFGR and the SGCY since July 2015, continued to implement (through procurement and grant direct management) the technical assistance activities and resources¹² foreseen under this work programme (i.e. EUR 4.4 million).
- **Commission Decision (C(2016)3746) amended as (C(2016)8445)** was adopted to fund technical assistance activities for Cyprus in the year 2016. Such a decision was reviewed to include new priorities for Cyprus (e.g. public administration, tax administration and environment), as well to update the actions to be financed. Resources were fully committed for contracting in 2017.
- **Commission Decision (C(2016)3835)** ensured the implementation of the actions financed from the resources (i.e. EUR 30 million) transferred by Greece to the Commission in application of Article 25 of Regulation 1303/2013. Grants were awarded without calls for proposals under direct management to bodies foreseen in the work programmes. Moreover, SRSS will sign agreements with the European Investment Banks under indirect management in 2017 to allow for the implementation of certain measures in Greece (e.g. design and evaluation of Public Procurement Partnership projects or the development of a transport master plan).
- In 2016, the Budgetary Authority allocated a Union budget of EUR 3 million to the

¹² Including ESF resources for technical assistance

SRSS under a **Preparatory Action (C(2016)4011)** for developing capacity and institution building to support the implementation of economic reforms of Member States and to strengthen their public institutions. This work programme established implementation of:

- technical assistance programmes and projects (including preparatory phases, monitoring and control) by private actors, national and international public organisations, which have a strong expertise in such a field; and
- short-term technical assistance, twinning-type arrangements between public authorities, and support activities such as training meetings, seminars, etc.

The SRSS committed all funds and implemented such initiatives through procurement and grant direct management (without calls for proposals) and indirect management. About half of the budget was contracted by the end of 2016.

Aid Programme

In 2016, the SRSS continued the implementation of the **work programmes (C(2013)7969; C(2014)9366; C(2015)8757 and C(2016)6688)**, establishing assistance initiatives to facilitate the reunification of Cyprus, by encouraging the economic development of the Turkish Cypriot Community, with particular emphasis on the economic integration of the island, on the improvement of contacts between the two communities and with the EU, and on preparation for the *acquis*.

In accordance with the management modes established in the relevant work programmes, the SRSS implemented such funds by **direct management (procurement and grant)** and **indirect management**.

2.1.1.1 Control results by activity

The table below presents the control results related to SRSS **activities** as carried out in 2016 and in respect of **all payments made**.

Activity	Direct management	Indirect management	Cross-delegations to other DGs	ICO indicators (cf. Legality & regularity, sound financial management, anti-fraud, including audit information)	Reservation
	Grants and Procurement	Delegation agreements with Entrusted Entities			
Provision of Technical assistance under ESF, ERDF, CF and Preparatory action	€ 18,422.550.84 (operational credits)	€ 211,707		Estimated RER = <2%	No
	€ 59,173.94 (Support expenditure)				

Aid Programme ¹³	€ 10,785,963.31 (operational credits)	€ 10,606,975.05	€ 1,188,290.21	Estimated RER = <2%	No
	€ 1,792,167.18 (Support expenditure)				
TAIEX expenditure				Estimated RER = <2%	No
Total (coverage)	€ 31,059,855.27	€ 10,818,682.05	€ 1,188,290.21	<u>Weighted average error rate</u> = <2%	No
SRSS -Grand total payments in 2016	€ 43.07 million				

With the exception of the ex-post control results stemming from other DGs, where some of the current SRSS activities (i.e. Task Force for the Turkish Cypriot community) were established in the past (e.g. DG NEAR or DG REGIO), the SRSS performed mainly ex-ante controls (cf. following section).

Management has reasonable assurance that the controls over direct and indirect management are in place, work as intended and covered the totally of the operations of the Service in 2016. Risks linked to grant direct management for the implementation of the some **ESI funds** are assessed as low, since the majority of the grants were awarded to beneficiaries already identified in the Financing Decisions. Some of them were also Pillars-assessed (cf. following section). Moreover, the Contracting Authority has ensured adequate justification of the selection of such beneficiaries by providing a comparative analysis as part of the Award Decision.

In terms of procurement direct management, the SRSS mainly used middle- and low-value contracts and implemented established framework contracts/ administrative agreements from other DGs (e.g. DG ENV and JRC).

An area that requires attention in the implementation of the **Aid Programme** concerns delays in implementation of grant contracts, a number of which have been subject to repeated time extensions. This was the case particularly for those grant contracts signed in the early days of the Aid Programme implementation, as grant beneficiaries (schools, civil society organizations, SEMs, farmers, local communities) were on a learning curve

¹³ It is to be noted that 25 payments (related to 9 grant contracts under direct management, 4 agreements under indirect management and 7 contracts under procurement direct management) were executed by DG REGIO in the period between 27/01/2016 and 21/03/2016 before the transfer of the former TFTCc to the SRSS.

with regard to implementation of EU-funded projects and related contractual requirements. Delays in obtaining necessary certificates, permits, and property verifications for their activities also explain delays in project implementation.

Risk linked to the indirect management mode, which was applied for implementing both **ESI funds** and the **Aid Programme** expenditure, are considered low. This is because the SRSS entrusted funds to the International Organisations such as EBRD or the UN, who are bound by their own control systems on the legality and regularity, sound financial management and anti-fraud. Furthermore, delegation agreements include regular reporting on the activities entrusted and this is considered a valid and proportionate tool to ensure monitoring of SRSS expenditure as well as efficient and effective use of funds (see Annex 6).

Risks of operations in respect of legality and regularity of the underlying transactions, sound financial management and fraud prevention and detection were monitored and mitigated as part of ex-ante controls in place.

As the Service develops its structure and organisation, the existing control system will be adapted, streamlined or improved as necessary. Ex-post controls (e.g. ex-post checks review of transactions; on-the-spot checks at the beneficiaries' premises, etc.) may be added to the existing control systems to contribute to a more comprehensive reassurance in the future.

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

✓ Control effectiveness as regards legality and regularity

The SRSS has set up internal control processes aimed at ensuring adequate management of the risks relating to the legality and regularity of the underlying transactions, taking into account the **multiannual character of programmes and the nature of the payments concerned**.

Materiality criteria and reference of controls

The control objective in this area is to ensure that the estimated error rate (i.e. the value of financial operations not complying with applicable contractual or regulatory provisions) does not exceed 2% of the total annual expenditure.

The SRSS contributed to this control objective, first of all, by establishing in 2016 its own financial circuits. This was deemed particularly necessary given the appointment of the Head of the Service as Authorising Officer by Delegation for SRSS operations. It should be noted that **the same financial agents, originally working on the ex-ante controls for DG EMPL and DG REGIO, joined the SRSS as part of the funds and files transferred** from DG EMPL on 1 January 2016, and from DG REGIO on 1 April 2016.

Practically, financial activities started immediately in 2016 in respect of the SRSS own credits and the co-delegated/cross-sub-delegated funds received from DG EMPL and REGIO; whereas the financial transactions related to the Aid Programme (DG REGIO) were assumed on 19 April 2016 (payments) and on 1 June 2016 (commitments).

○ Ex-ante controls

As a consequence of the Commission decision on the transfer of the ex-Task Force for SRSS_aar_2016_final

Greece (TFGR) and the Support Group for Cyprus (SGCY), the SRSS established its financial circuits to implement both its own expenditure and the operational appropriations received from DG EMPL and DG REGIO either in co-delegation and cross-sub-delegation.

Since January 2016 SRSS **financial circuit** includes financial agents based in the Financial Unit and the operational agents placed in the operational Units/Clusters. The authorisation of commitments is ensured at Director level. This financial circuit, applying at the SRSS since January 2016, was reviewed to include additional adequate controls following the transfer of the former Task Force for the Turkish Cypriot community (TFTCc) from Directorate-General Regional and Urban Policy (REGIO) on 1 April 2016.

Controls are performed in all cases by two operational agents (initiation and verification) and two financial agents (initiation and verification) before authorisation is granted. Such a circuit ensures that the 'four eye principle' and segregation of duties are respected.

With the exception of the expenditure (i.e. SRSS global envelope) managed by the SG, in 2016, all SRSS transactions followed the established financial circuits and workflows.

The expenditure originating from the Preparatory Action and the ESI funds were checked in accordance with the provision of the current Financial Regulation. Instead, in accordance with Aid Regulation 389/2006, the implementation of the Aid Programme for the Turkish Cypriot community was done in accordance with 'external action' rules¹⁴.

Moreover, financial checklists as applied in DG REGIO and DG EMPL provided guidance to agents in their detection checks over the relevant transactions before authorisation. For the purpose of ensuring complete checks and in compliance with the latest rules and procedures, the SRSS intends developing its own checklists in the future.

In 2016, as part of the ex-ante controls performed, SRSS financial agents **'refused for correction'** 48 transactions including commitments, payments and invoices. Although this is small number of detected errors, it is a good control indicator, which will be monitored also in the future because it provides evidence of good financial performance and it helps to identify errors in quantitative and qualitative terms. Such an indicator also contributes to the AOD's assurance on the legality and regularity of the transactions managed by the SRSS.

Further to the controls performed on payments, 48% of the payments¹⁵ made in 2016 concerned initial pre-financing. Initial pre-financing payments did not expose SRSS to risks since the amounts are still considered assets of the Commission, which will be only transferred to beneficiaries when considered 'clear' in the Commission accounts at closure of the programmes.

As part of their ex-ante controls, SRSS operational and financial agents:

- **suspended** 12.5% of all the payments processed in 2016 for the purpose of getting clarifications about the received reports or additional information in respect of the claimed amounts. This is deemed a good control because the value of suspended payments subject to a deeper examination corresponded to EUR 4.6 million; and
- **recovered** a total amount of EUR 39,600 (equal to 48% of the total value of the transactions in recovery context) in terms of ineligible costs and credit notes. The

¹⁴ Rules set down in Title IV of part 2 of the Financial Regulation

¹⁵ A total number of 223 payment requests were processed in 2016

errors detected referred mainly to incorrect arithmetical calculations, whilst irregularities referred to undue cost claims (see Annex 3).

Other controls: external audits on grant contracts under the Aid Programme

Action grant contracts of a value higher than EUR 100,000 are subject to verification by external auditors of the action's expenditure¹⁶. In 2016, six (6) grant contracts, which were concluded under the Aid Programme and implemented between 2014 and 2016, were verified by external auditors. Audit results were reported to the SRSS as part of the transfer of the Aid Programme to the TCc.

The objective of this expenditure verification was to assist the Contracting Authority in evaluating, before final payments were made, whether the fees and expenditure claimed by the beneficiaries on the invoices and financial reports were eligible, and in accordance with the terms and conditions of the signed grant contracts. At the date of writing, the SRSS acknowledges the final findings related to four reports.

The audit coverage was of 100% over 3 grant contracts (of a total value of EUR 938,011) and 76% over one grant contract (for a value of EUR 277,512.60). With the exception of some minor findings related to the quality of the accounts (e.g. lack of a coding system), some very small ineligible costs (i.e. totalling EUR 45.90) and some undetailed interim reports, no material finding was identified in respect of: the financial reports, the accounting and record keeping and the procedure on the conformity of the expenditure with the budget. Undue ineligible costs are immaterial; however, they were corrected by beneficiaries, as appropriate.

○ ***Ex-post controls***

The control strategy applying to the SRSS does not include an ex-post verification function. This decision was taken when establishing the SRSS financial circuits and following cost-effectiveness considerations, in particular given the number and size of the transactions managed in 2016 and the small size of the SRSS itself. This decision will be reviewed in the future as part of the development and type of operations of the Service.

Nevertheless, for the purpose of contributing to the conclusion on the legality and regularity of its transactions and the overall state of its existing controls, the SRSS acknowledges the results emerging from the following ex-post controls performed in 2016:

DG NEAR ex-post controls in direct (centralised) management

As part of its audit plan, in 2016, DG NEAR performed an audit in the Unit SRSS.05 'Cyprus Settlement Support' to verify the (1) legality and regularity of the interim and final payments made and (2) the legality and regularity of the relevant procurement and award procedures. The audit tests were made on transactions managed by the former TFTCc when it was part of DG NEAR structure. The auditors concluded that the final and interim payments made by the Contracting Authority were free from material error. In terms of amount, the quantifiable 'error rate' estimated in the sample checked

¹⁶ Art. 15.6 of the General Conditions applicable to European Union- financed grant contracts for external actions

corresponds to 0.07 % (i.e. EUR 1,003.41 worth of ineligible amounts) of the “Accepted amount before Audit” (i.e. EUR 1,536,999.38). Other non-quantifiable errors were identified (e.g. errors regarding procurement procedures); however, they are insufficiently serious to justify a conclusion that certain related expenditure is ineligible.

Multiannual character of programmes and the nature of the payments concerned

While the SRSS is a new service, the almost totality¹⁷ of its funds in 2016 (European Social Fund, Cohesion Fund, European Regional Development Fund, Aid Programme) originate from DG EMPL and DG REGIO, and their previously established multi annual programmes.

DG EMPL and DG REGIO issued no reservation in respect of the direct and indirect management activities in their Annual Activity Reports referring to the year 2015.

For the purpose of calculating its amount at risk at payment and at closure based on robust references, the SRSS has considered the following key historical information on the error rates -estimated or detected by DG EMPL and DG REGIO in 2015- and applied it to the relevant payments made in 2016. The SRSS chose the highest estimates available to ensure a more conservative calculation of the amounts subject to ex-post control in 2017.

DGs	Management mode	% error rate	Applying to SRSS
DG EMPL	Direct management -2015	1,47% (Estimated error rate)	ESF funds
DG EMPL	Shared management- 2015 2007-2013 Programmes	0.9% (Cumulative error rate)	No
DG REGIO	Shared management -2015 2007-2013 ERDF/CF Programmes	1% (Cumulative error rate) ¹⁸	ERDF and CF funds

It should be noted that since January 2016 the SRSS ex-ante financial controls have been performed by the same financial staff originally managing these relevant funds in DG EMPL and DG REGIO. This information suggests that in 2016 the SRSS could rely on the same controls which, in the previous years, had contributed to a positive conclusion to the legality and regularity of transactions processed in other Directorates-Generals.

Finally, in 2016 more than ¾ of the SRSS payments were pre-financing with no risk involved since these are considered still assets of the Commission until clearance is made.

The above mentioned convergent elements allow the SRSS to conclude that the error rate applying to its expenditure in 2016 is below 2%.

¹⁷ Except for EUR 2 mio of payment credits appropriations foreseen under the Preparatory Action C(2016)4011

¹⁸ No error rate estimated for direct management

Other reference of controls: analysis of the exceptions requested and non-compliance events

In 2016, the SRSS established a procedure of exception and non-compliance reporting in accordance with the EC internal control framework, which requires systematic tracking of control overrides and deviations from the rules in a year. Using such reporting tool, the Authorising Officer by Delegation carries out continuous and specific assessments of the internal control systems and makes improvements as necessary. The SRSS made an assessment of all cases incurred in 2016 as a contribution to the overall assessment of the internal control at the SRSS. Results were also assessed in qualitative and quantitative terms to build up the assurance on the legality and regularity of SRSS operations in 2016.

The significance of the majority of exceptions requests (9) and non-compliance events (6) is medium in qualitative or low in quantitative terms. Two cases were assessed as medium-high in qualitative and quantitative terms because they grouped many contracts. Most of the requests for exceptions were made in the area of contract management and/or as a result of the delays incurred with the transfer of files from other Services. Management also took action to recommend efforts in planning/programming and better project design.

The nature and recurrence of deviations from the established rules have been analysed also with a view to strengthening our preventive (e.g. planning tools, financial training) and detection controls (e.g. checklists, budget and contracts 'monitoring) in the future, as necessary.

✓ **A system to ensure sound financial management**

Direct management

Procurement direct management - Tendering and contracting

Further to the implementation of the **ESI funds**, the SRSS mainly used negotiated procedures for middle- and low-value contracts. To this end, sound financial management was ensured by negotiating activities with providers, as necessary. Moreover, despite the small value of such contracts, which did not cause major risks for the Contracting Authority, the SRSS awarded such middle- and low-value contracts for EUR 1.1 million on the basis of a systematic, comparative analysis of the offers in respect of the award criteria set. Two contracts (for a total value of EUR 919.600) were signed by implementing a framework contract of DG ENV and an administrative agreement with the Joint Research Centre (JRC).

Further to the **former Task Force for the Turkish Cypriot community (TFTCc)**, in 2016, the SRSS implemented some changes in the controls performed by the "procurement cell" based in the EU Programme Support Office in Nicosia. Upon the former TFTCc's transfer to SRSS, the personnel working in such a 'procurement cell', despite working locally, was transferred in reporting terms to the Financial Unit in Brussels Headquarters. This was deemed to add some additional control in terms of independence of operations and reporting lines.

In 2016, the SRSS started implementing more systematic reporting on the planning of procurement procedures. Management of calls for tenders was done in accordance with 'external action' rules¹⁹.

Under the **Aid Programme**, in 2016 the SRSS managed 8 procurement procedures²⁰, out of which three were awarded²¹, three are not yet closed and two were cancelled respectively because tenderers did not meet the selection criteria, and because the financial offers exceeded the maximum budget allocated. Moreover, the SRSS cancelled the awarding of four lots under one call for tenders for supplies, because the tenders received were not technically compliant with the specifications and partly due to the lack of offers. This shows that the evaluation process is conducted scrupulously, in line with the applicable rules and procedures.

Except for such cases, the other procurement procedures received a sufficient number of applications and offers to ensure adequate competition and awarding of value for money contracts. The evaluation and awarding of other procedures is ongoing²².

Grant direct management

In 2016, SRSS contributed to the Commission strategy 'EU budget expenditure focused on results', by implementing promoting expenditure according to a 'logical framework approach' (LFA) based on robust planning, outputs, outcomes and performance indicators. The promoted LFA includes a preliminary assessment of the context and stakeholders in which the contractors/beneficiaries operate to ensure a more accurate definition of the key objectives of the projects and the related potential risks.

The SRSS introduced the 'Intervention logic' (IL) method and a LFA matrix for developing its terms of reference for the implementation of expenditure of **ESI funds** in both direct and indirect management (see below). It is considered that such an approach focused on good planning, coordination, monitoring and reporting, contributes to efficiency and effectiveness of financial activities (e.g. improved resources planning and programming, appropriate budget allocation in the course of implementation of projects, etc.).

In 2016, the SRSS signed grants with entities and organisations already identified in the Financing Decisions by means of a) '**Pillars-assessed' grant agreements** and b) **Grant agreements**.

a) Pillars-assessed grant agreements were signed with entities, such as the International Labour Organisation (ILO), the Organisation for Economic Co-operation and Development (OECD), the World Health Organization (WHO) and the International Monetary Fund (IMF) to carry out a variety of activities of technical assistance, mainly for Greece and, in

¹⁹ Rules set down in Title IV of part 2 of the Financial Regulation

²⁰ Six new procedures and an additional two referring to two calls for tenders launched in 2015, i.e. EuropeAid/136783/DHSER/CY - Programme Management Unit to support the preparation, implementation and evaluation of investment projects in the environmental sector, and EuropeAid/137171/DH/SER/CY- Technical assistance and Supervision for Upgrading the Solid Waste Management Capacity in the northern part of Cyprus

²¹ Service contracts: EuropeAid/136783/DHSER/CY; EuropeAid/137171/DH/SER/CY; Supply contract: EuropeAid/137893/DH/SUP/CY (only Lot 1 and Lot 6)

²² As of 2 February 2017

one case, for Slovakia (e.g. strengthening the capacity of the labour administration in Greece; supporting the implementation of the National Anti-Corruption Action Plan in Greece; supporting health-care reform in Greece; facilitating a spending review in Slovakia).

Such entities undergo an ex-ante assessment (called "pillar assessment") and mitigate risks of expenditure of implementation. Pillars correspond to broad areas covered by the assessment and include (1) internal control, (2) accounting and (3) independent external audit. Moreover, the assessment must also include at least one of the following, so that the entity can be entrusted with the corresponding budget implementation tasks: (4) procedures and rules for grants, and (5) procedures and rules for procurement

b) Grants agreements were awarded to bodies such as the Agency for European Integration and Economic Development (AEI), ÖPP Deutschland AG and OMNIA, respectively, to reform the Construction Development Legislation Framework in Cyprus; to provide a functional review of the Department of Information Technology services of the Ministry of Finance of the Republic of Cyprus, and to support the Implementation of the national strategic framework for the upgrading of VET and apprenticeships in Greece.

In 2016, the SRSS ensured that a control (i.e. eligibility checks performed by DG EMPL or DG REGIO) on the absence of double funding was carried out for all the projects financed under the Financing Decisions regulating operational technical assistance activities in Cyprus and Greece. Moreover, for the purpose of reinforcing the control on the absence of double funding, the SRSS transmitted, for instance, the projects under the Financing Decision C(2016)3835 to the Greek authorities so that they could arrange for the relevant preventive checks.

The SRSS launched two calls for proposals (for which the awarding of grants is not yet completed²³) **under the Aid Programme** for:

- enhancing education and lifelong learning opportunities in the northern part of Cyprus, as well as allowing for innovation and creativity, and promotion of skills and "key competencies", which are vital in a knowledge-based society (EuropeAid/151989/DH/ACT/CY-Innovation and Change in Education VII- for an estimated value of EUR 1.5 million); and
- increasing the efficiency and the quality of services delivered to citizens by local communities in the northern part of Cyprus and to introduce a "shared services" approach in rural local communities (EuropeAid/151214/DH/ACT/CY-Community Development 4th Call for Proposals for an estimated value of EUR 4.85 million).

Monitoring of implementation of contracts (including addenda) and payments

All SRSS contracts and payments have been approved in respect of the segregation of duties and the 'four-eye principle' check (i.e. each file is double-checked on both operational and financial aspects) before authorisation.

Operational and financial monitoring has been carried out during the life of the contracts, generally through verification of deliverables (e.g. interim, final reports) submitted by

²³ As of 2 February 2017

contractors and beneficiaries, and by means of a centralized monitoring of the use of credits. Moreover, in order to ensure close follow up of progress in the processing of ongoing transactions and priority setting under the Aid Programme, the SRSS established weekly video-conference meetings between the financial unit and the operational staff based in Nicosia. This regular communication filled the logistic gap, while ensuring close coordination and follow up, monitoring and reporting on files to be treated by priority.

In 2016, the SRSS managed a large number of addenda particularly in respect of the Aid Programme to the TCc. The SRSS experienced some delays in the implementation of such contracts mainly because of the further transfer of the Aid Programme, first from DG NEAR and, more recently, from DG REGIO to the SRSS.

Indirect management

In indirect management, implementation tasks under the **ESI funds** were entrusted to the EBRD under two delegation agreements (EUR 423,414 in commitments and EUR 211,707 in payments) to improve the governance of state-owned enterprises in Croatia and to support the national Bank of Slovenia in developing and implement guidelines for credit institutions.

Delegation agreements are considered low risk because the selected entities apply their own established controls to manage the entrusted budget and they are bound by an obligation of detailed reporting.

In 2016, a share of the **Aid Programme** to the TCc was implemented in indirect management by delegation agreements (around EUR 10.6 million in payments and EUR 7.3 million in new commitments with the EBRD and the United Nations—see Annex 6)

Appropriate supervision of the entrusted tasks was continuously ensured in operational and financial terms, including a thorough examination and approval of regular implementation reports.

✓ **Amount at risk at closure**

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 the SRSS, the estimated overall amount at risk at payment²⁴ for the 2016 payments made is EUR 141,216.22. This is the AOD's best, conservative estimate of the amount of *relevant expenditure* during the year (EUR 12.9 million) not in conformity with the applicable contractual and regulatory provisions at the time the payment is made.

The conservatively estimated future corrections for those 2016 payments could not be identified and they are equal to zero for the lack of SRSS own ex post controls in 2016²⁵.

²⁴ In order to calculate the weighted average error rate (AER) for the total *relevant expenditure* in the reporting year, the *detected*, estimated or other equivalent error rates have been used.

²⁵ The SRSS has conservatively estimated its average of recoveries and corrections equal to 0%. The SRSS historical average rate of recoveries and corrections (H-ARC) was 0.1%, but it concerns results of ex-ante controls.

The difference between those two amounts leads to an estimated overall amount at risk at closure of EUR 141,216.22.

Estimated overall amount at risk at closure

Budget Line (1)	Pay Accepted Amount (2)	New Pre-Fin € (3)	Cleared Pre- Fin € (4)	Relevant expenditure (5)=(2)-(3)+(4)	Weighted average error rate % (6)	Estimated overall amount at risk at payment € (7)=(5)*(6)	Average Recoveries and corrections % (8)	Estimated future corrections (and deductions) € (9)=(5)*(8)	Estimated overall amount at risk at closure € (10)=(7)-(9)
BGUE-B2016-01.027701 Preparatory action	774,477.00	774,477.00		0.00	1.00%	-	0.0%	-	-
BGUE-B2016-04.010401 ESI funds – Support expenditure	59,173.94			59,173.94	1.00%	591.74	0.0%	-	591.74
BGUE-B2016-04.026301 European Social Fund - ESF	1,367,402.34	1,193,428.98	4,500.00	178,473.36	1.47%	2,623.56	0.0%	-	2,623.56
BGUE-B2016-04.026302 ESF- art.25(EU)1303/2013	2,819,877.30	2,819,877.30		0.00	1.47%	-	0.0%	-	-
BGUE-B2016-13.010402 Aid Programme – Support expenditure	1,792,167.18	0		1,792,167.18	1.00%	17,921.67	0.0%	-	17,921.67
BGUE-B2016-13.036501 European Regional Development Fund - ERDF	1,622,725.05	1,152,610.00	18,000.00	488,115.05	1.00%	4,881.15	0.0%	-	4,881.15
BGUE-B2016-13.036502 ERDF- art.25(EU)1303/2013	9,395,093.44	11,335,241.94	11,250.00	-1,928,898.50	1.00%	- 19,288.99	0.0%	-	- 19,288.99
BGUE-B2016-13.046101 Cohesion Fund - CF	101,094.71	100,000.00		1,094.71	1.00%	10.95	0.0%	-	10.95
BGUE-B2016-13.046102 CF - art.25(EU)1303/2013	2,553,588.00	2,538,588.00		15,000.00	1.00%	150.00	0.0%	-	150.00
BGUE-B2016-13.070100 Aid Programme	22,581,228.57	13,864,474.62	3,633,736.66	12,350,490.61	1.00%	123,504.91	0.0%	-	123,504.91

Grand Total	43,066,827.53	33,778,697.84	3,667,486.66	12,955,616.35	1.09%	141,216.22	0.0%	-	141,216.22
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2.1.1.3. Budget implementation tasks entrusted to other services

This section reports and assesses the elements that support the assurance on the achievement of the internal control objective as regards the SRSS supervisory controls on the budget implementation tasks carried out by other Commission services and entrusted entities distinct from the Commission.

- **Cross-sub-delegations (entrusted to other DGs)**

In 2016 SRSS established a Service Level Agreement (SLA) with DG NEAR for the use of about EUR 1.2 million of payment credits appropriations on the Technical Assistance and Information Exchange instrument (TAIEX). The entrusted resources originated from financial support credits for encouraging the economic development of the Turkish Cypriot community (budget line 13 07 01). The SLA covered the logistical and financial arrangements:

- to prepare the TCc for the implementation of the EU *acquis* to be immediately applicable upon the entry into force of a comprehensive settlement of Cyprus separation; and
- of TAIEX support for trade across the Green Line (Regulation 866/2004).

The entrusted Authorising Officer by Delegation (AOD) was required to implement the appropriations according to the same rules, responsibility and accountability arrangements. The cross-subdelegation agreement required the entrusted AOD to report on the use of these appropriations.

DG NEAR reported that 99% of the entrusted credits (i.e. EUR 1,188,290), was used between 1 April and 31 December 2016 for payments related to logistics, conferences, meetings and travel organisation under two contracts signed in 2016 and a similar contract dated 2014.

SRSS deems the information reported by DG NEAR to be reliable and sufficient to draw conclusions on the use of the resources for their intended purpose, in accordance with the principle of sound financial management. The control procedures established by DG NEAR give the necessary guarantee concerning the legality and regularity of the underlying transactions. No irregularity, audit finding or other issue was raised in the context of the report on the implementation of the entrusted funds.

For the resources entrusted to other entities distinct from the Commission, please refer to **'Indirect Management' under section 2.1.1.2 and Annex 6.**

2.1.1.4 Cost-effectiveness and efficiency

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

The principle of efficiency involves striking the best balance between resources employed and the results achieved. This assessment is made considering the values of the

effectiveness indicators for both direct and indirect management. This section, together with the internal control templates in annex 5, outlines the indicators used to monitor the efficiency and cost-effectiveness of controls.

The SRSS estimated the costs of its main control processes (direct and indirect management) and calculated how efficient they were in respect of the payments made in 2016.

Overall, the SRSS controls of budget appropriations in 2016 were relatively cost-effective, considering:

- *the number and type of technical assistance activities in 2016 (part I of this report);*
- *the estimated costs of control over the high diversity of files managed;*
- *the type and intensity of controls performed by the same financial agents originally placed in DG REGIO and DG EMPL from where SRSS credits and activities were received;*
- *that controls on procurement and grant management are mandatory and a significant proportion of the appropriations concerned would be at risk if they were not in place;*
- *the non-financial benefits of control, including better value for money, deterrence, efficiency gains and regulatory compliance;*
- *the low value of late interests payments and the overall average time to make payments;*
- *the number of tender procedures cancelled after evaluations bearing unsuccessful results, showing scrupulous application of procedural rules;*
- *the lack of complaints filed or litigation cases²⁶ filed with SRSS in respect of the procurements and grants managed in 2016;*
- *the good rate of implementation of the operational budget in respect of the actual duration of operations of the Service since its full establishment in 2016;*
- *the value of cost-claim errors under grants and the credit notes received under procurement; and*
- *the progress and final reports from the entrusted entities on the use of the received funds and the activities carried out.*

²⁶ Two unsolved disputes over the implementation of contracts were transferred to the SRSS as part of the implementation of the Aid Regulation to the TCc.

Most relevant indicators	Values in 2016
Cost of control ²⁷ /payments made in 2016 (%)	5%
% of timely execution of payments (vs Financial Regulation art. 92.1)	81%
Execution of the annual voted budget (% of budget commitments credits appropriations made)	99%
Annual average number of days to make a payment	31 days
Value of late interest payments	EUR 15,979.68

Late interest payments were generated mainly because of the delays due to the unavailability of credits or the time needed to establish appropriate subdelegations to authorise transactions.

Procurement direct management

Most relevant indicators	Values in 2016
Number of procurement procedures cancelled	3 procedures ²⁸
Number of filed complaints	zero
Number and value of credit notes, and as a proportion of the total transactions amount in recovery context (%)	4 (EUR 31,459.41) 64%

Grants direct management

The grants awarded in the context of the **ESI funds** were made to beneficiaries established in the relevant Financing Decision and therefore in the absence of calls for proposals.

Most relevant indicators	Values in 2016
Number of positive progress and/or final reports under grant agreements	4
Number and value of cost claim errors/irregularities, and as a proportion of the total transactions amount in	3 (EUR 8,140.59) 24%

²⁷ Estimated % of controls performed by a total of 23 FTE involved and costing around EUR 2.1 million.

²⁸ One procedure (negotiated for middle- and low-value contract) under the implementation of the ESI funds and two procedures (for service contracts and work contracts) under the Aid Programme

recovery context (%)	
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The transfer of the Aid Programme to the TCc from DG REGIO to the SRSS has resulted in delays in signing grant agreements for the implementation of the **Aid Programme** to the TCc. Most of these delays originate from 2015, when management of the Programme and the grants awards were made outside the SRSS.

Most relevant indicators	Values in 2016
Average time to notify grant decisions (art. 128.2.a FR) - TCc files	182 days
Average time to sign grant agreements (art. 128.2.b FR)- TCc files	250 days

Indirect management

The SRSS authorised payments upon the provision of progress and/or final reports from the entrusted entities. Before authorisation of payments, such reports were subject to an operational review of the activities reported and to a financial verification of the budget implemented.

Most relevant indicators	Values in 2016
Number of positive progress and/or final reports under delegation agreements	6 ²⁹

On the basis of the considerations made above on the recent establishment of the Service, the diversity of its activities and type of operations, and the value of the control indicators, the SRSS is able to conclude positively on the cost effectiveness and efficiency of its control activities and operations in 2016.

Given that the SRSS is reporting for the first time on its control indicators and therefore lacks of previous benchmarks, the SRSS will report on the first evolution of its performance indicators in the next annual report.

Assessment of their completeness and reliability

In 2016, the SRSS controls based on the four-eye principle, ensuring segregation of duties between operational and financial agents, were performed on all transactions, irrespective of their values. This control approach is in line with the minimum

²⁹ 6 reports under the Aid Programmes; 2 payments were made as initial pre-financing to EBRD for the implementation of ESI funds

requirements of the established financial circuits and it is deemed to provide the Authorising Officer with reasonable assurance on the control objectives as foreseen in the Financial Regulation.

However, as part of the development of the Service, and in accordance with the possibility foreseen in the Financial Regulation³⁰, the AOD may assess, in the future, the need to differentiate the frequency and/or the intensity of the controls at the SRSS – *in view of the different risk-profiles among its current and future transactions and of the cost-effectiveness of its existing and any alternative controls* – by re-directing the control resources towards more stringent controls where needed, while having leaner and less burdensome controls, where appropriate.

2.1.1.5 Fraud prevention and detection

Because of its recent date of establishment, the SRSS has **not yet adopted its own Anti-fraud Strategy (AFS)**. The SRSS AFS will be developed in 2017 in accordance with the revised methodology and guidance issued provided by OLAF in February 2016. This is one of the main organisational outputs featuring in the SRSS Management Plan 2017.

Despite the lack of its own anti-fraud strategy, in 2016 SRSS started raising awareness about the EC required ethical standards and fraud prevention and detection activities in the context of its first **risk assessment exercise, which was carried in 2016**. As it emerged from this assessment, the likelihood of risks (e.g. conflicts of interest) connected with ethics does not suggest that there might be important ethics-related problems in the Service; however the issue remains amongst the Service's main (inherent) risks. To this end, mitigating actions have been started to ensure, for instance, that training and awareness is raised by the SRSS staff about the Commission ethical and integrity standards. Since early 2017, all staff have also been required to sign a declaration of absence of conflicts and to report any event directly to management and by means of a corporate electronic application.

³⁰ Art.66.2

2.1.2 Audit observations and recommendations

This section reports and assesses the observations, opinions and conclusions reported by auditors in their reports, 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.

European Court of Auditors (ECA)

In 2016, the European Court of Auditors carried out an audit of the centralised transactions managed by DG REGIO in the context of the Declaration of Assurance (DAS) 2016 Specific Assessment for MFF heading Global Europe. From this desk review, one preliminary finding emerged and it was reported to the SRSS on 2 December 2016 since it refers to one file managed by the former Task Force for the Turkish Cypriot community (TF TCc) which was, in the meantime, transferred to the SRSS on 1 April 2016.

The auditors reviewed one contract award procedure and performed checks on underlying transactions relating to ten cost items sampled by using MUS methodology.

The audit observation refers to non-compliance with the transparency requirements of awarded grants set by the Financial Regulation³¹ and PRAG³² (Procurement and Grants for European Union external actions). It emerged that no notice of award was published on the EuropeAid website in respect of a call for proposals (run under direct management) under which the audited contract was awarded. The auditors concluded that the compliance issue had no financial impact.

In 2016, the SRSS also developed an action plan in respect of the audit recommendations issued by the ECA as part of the Special Report No19 'More attention to results needed to improve the delivery of technical assistance to Greece' addressed to the Task Force for Greece. Implementation of the first three recommendations has started (i.e. work on the selection of technical assistance providers based on a comparative analysis; prioritisation of technical assistance and analysis of the complexity arising from multiple partners) and is expected to be completed by the end of 2017. In the last quarter of 2016, in accordance with the Commission Better Regulation requirements, the SRSS also carried out internal preparatory work to arrange for an ex-post evaluation of the activities implemented in Greece during the period 2011-2015. This ex-post evaluation will also provide inputs to the SRSS on how to build its capacity for monitoring and evaluating the impact of its TA projects (in any Member State).

Finally, in 2016, the SRSS acknowledged the Court's positive conclusions on the follow-up audit carried out on the recommendations implemented as part of the audit on the European Union assistance to the Turkish Cypriot community (TCc) (Special Report No

³¹ Council regulation nº 1605/2002 of June 2002 - Financial Regulation, Art. 110. 2: "All grants awarded in the course of a financial year shall be published annually with due observance of the requirements of confidentiality and security"

³² Practical Guide to contract procedures for EC external actions 2012 -Par. 6.4.10.4

6/2012). The majority of the audit recommendations made in respect of the controls and functioning of the Task Force providing for the EU assistance to the TCC were considered to have been fully implemented or met in most aspects. Some other recommendations (e.g. giving priority to a new project in water supply sector or developing a proposal for a programme enabling the whole country to benefit from EU funding following reunification) were assessed as 'no longer relevant' in the light of changed circumstances.

Internal Audit Service (IAS)

Because of its recent establishment, in 2016, the SRSS was not included in the IAS' Strategic Audit Plan 2016-2018. Therefore, no audit was carried out by the Internal Audit Service at the SRSS, and consequently the **IAS is not a position to express a conclusion on the state of the internal control of SRSS in 2016**. However, in 2016, the internal auditors included the SRSS' new environment and operations in the IAS annual audit risk assessment for the purpose of identifying areas for future audit reviews. To this end, the SRSS provided data in respect of its budget (i.e. budget lines, administrative credits and credits appropriations stemming from the operational budgets of other DGs) and met the internal auditors to explain the organisational structure and the activities of the newly-established Service. As a result of the audit risk assessment, the IAS proposed an audit plan including a **financial/compliance audit on the financial management of the SRSS** to be carried out in 2017 and a **performance audit on the SRSS performance measurement and its coordination with other Commission services** (indicatively planned for 2018).

The compliance audit will ensure adequate financial coverage for the IAS in 2017 to issue a 'limited conclusion' as a contribution to the SRSS 2017 Annual Activity Report and the Overall Opinion on financial management in the Commission.

Other relevant external audit assessments

In 2015, DG REGIO procured an external assessment of the management and control system of the former Task Force Turkish Cypriot Community (TFTCc). The purpose of such a review was to assess the overall adequacy and effectiveness of the management and control system put in place at the TFTCc, identifying the main risks affecting the legality and regularity of transactions and seizing opportunities for simplification of procedures while ensuring a smooth integration of the Task Force with DG REGIO.

The final report was issued on 7 April 2016 to DG REGIO. However, given that the transfer of the former Task Force Turkish Cypriot Community to the SRSS took place on 1 April 2016, these results and recommendations were also acknowledged³³ and considered by the SRSS with a view to improving processes and operations at the start of its activities.

The overall results of this external assessment were considered³⁴ rather positive and they

³³ DG REGIO's financial handover on the former Task Force Turkish Cypriot Community to SRSS (18/03/2016) and Final Report of 7 April 2016 (2015/366253)

³⁴ DG REGIO's handover file

did not highlight any issues of non-adherence to the different processes, management and control systems, although some potential areas for improvement were identified. Twelve (12) recommendations (85% of total number of recommendations received) were categorised as 'important' (in the area of risk management, formalisation of ethical policies, internal communication and monitoring) and 'desirable' (in the area of training, strategic management and streamlining of procedures), while two (2) recommendations on the strengthening of financial circuits and the review of the IT needs were marked as 'critical'.

In 2016, as part of the preliminary steps taken for establishing its financial circuits, the SRSS implemented one of the two critical recommendations by ensuring, for instance, that the procurement cell based in Nicosia was integrated in the Financial Unit, and the financial initiation and verification were centralised in Headquarters (Brussels). Such actions ensure the efficiency of operations (because of centralisation of financial knowledge and practice) and an appropriate segregation of duties. In the context of its future activities aimed at reinforcing its controls in the area of financial management, the SRSS may take into consideration the other findings and recommendations for future implementation, as appropriate.

On the basis of:

- the ECA's audit activities and conclusions with no critical findings;
- the ECA's positive conclusions in respect of its follow-up audit on the TCc;
- activities initiated by the SRSS and no delay in the state of implementation of ECA's recommendations;
- the IAS 2016 audit risk assessment and draft audit plan for SRSS; and
- the results of the external assessment and findings on the management and control system of the TFTCC,

it can be concluded that, in 2016, no major weakness was identified and that the overall SRSS control activities were satisfactory. Nonetheless, in consideration of its recent established structure and control system, SRSS should continue strengthening its control functions in the area of financial management.

2.1.3 Assessment of the effectiveness of the internal control systems

The Commission has adopted a set of internal control standards (ICS), based on international good practice, which are aimed at ensuring the achievement of policy and operational objectives. In addition, as regards financial management, compliance with these standards is a compulsory requirement.

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

As a new Service and since the revision of its structure and organisation in April 2016³⁵, the Service has given priority to the establishment and the operation of the main processes to ensure good people and financial management. In doing so, the SRSS has privileged faster definition of certain controls over others, which are nonetheless being developed along with the organisation of the Service. Some other controls are ensured by the Secretariat-General as part of the organisational arrangements made in 2016. In January 2017 the SRSS signed a Memorandum of Understanding (MoU) which sets the respective responsibilities and the arrangements for interaction between the two parties. The appointment of an Internal Control Coordinator for the SRSS was also formalised in this MoU.

In 2016 the SRSS has made a screening (i.e. desk review) of compliance and an effectiveness review of the control arrangements in place during the year. Internal control systems/measures were assessed on the basis of various monitoring measures and sources of information, including:

- Reports to management on activities and operations;
- Procedures and guidelines in place; records of meetings;
- Evidence of activities carried out in 2016;
- Relevant audit results;
- SG reports on staff missions paid by the organisers, and other requests for drafting publications, making speeches, teaching, (ICS 2- Ethical and organisational values); and
- The non-compliance events and the exceptions requested in 2016.

The underlying causes of the exceptions and non-compliance events were regularly monitored in the course of the year as part of the detection process. The overall analysis

³⁵ EC Administrative and Budgetary Decision n°2164 meeting (12 April 2016)

of all reported deviations was reported to the Director-General; this concluded that internal control was satisfactory, with some specific improvements to make overall in respect of project and contract management. To this end, management recommendations were issued in the year as a preventive control measure for ensuring sound financial management, as well as attenuating any potential risks affecting the legality and regularity of financial transactions. Moreover, activities were commenced to develop an action plan for the purpose of streamlining operations and improving the planning, programming and implementation of the expenditure under the Aid Programme, as well as facilitating the integration of former Task Force Turkish Cypriot community (TFTCc) from DG REGIO.

The Internal Control Standards review has concluded that despite the first efforts made to set up the Service and make it operational in 2016, further work is expected for the establishment of certain internal controls and for streamlining those already in place. Priority will be given to the definition of the following limited number of standards' requirements³⁶, which could not be adequately developed, simply because of the recent creation of the Service:

- (ICS 2- Ethical and organisational values) adoption of an anti-fraud strategy (cf. 2.1.1.5 Fraud Prevention and detection). The SRSS has also announced such a management's output as part of its first risk assessment exercise and in the context of its planning activities for 2017 (cf. SRSS Management Plan 2017);
- (ICS 3 –Staff allocation and mobility) – development of a workload plan in line with the organisational structure and staff allocation;
- (ICS 5 – Objectives and performance indicators) – development of a methodology for monitoring and reporting on the objectives set in the planning documents. In early 2017 the SRSS has developed a strategic planning and a monitoring tool to ensure appropriate monitoring and reporting of the SRSS' strategic indicators;
- (ICS 7 – Operational structure) - identification of sensitive functions in the Service;
- (ICS 8- Process and procedures) – development and streamlining of financial management processes and documentation of procedures;
- (ICS 10 – Business continuity) – establishment of a business continuity plan for the Service, including the list of critical and essential functions; and
- (ICS 12- Information and communication) – adoption of an external Communication Strategy.

Some of these activities have already been identified as outputs for the year 2017; others are mitigated to a certain extent by existing corporate mechanisms (e.g. IT

³⁶ 7 out of the current 35 baseline requirements in the Commission's internal control framework

controls notably in respect of business continuity; segregation of duty mitigates risks linked to sensitive functions). Finally, other development activities will be carried out in accordance with the organisational arrangements set in the Memorandum of Understanding with the Secretariat-General signed in early 2017.

The development of future controls will be carried out in alignment with the baseline indicators, which are being developed at corporate level for the purpose of implementing the revised Internal Control Framework of the Commission.

Management will assess the effectiveness of the internal control systems on a continuous basis, in order to determine whether they work as intended and to ensure that any control weaknesses in the system are detected, analysed and considered for improvement, as well as ensuring that serious matters are reported in a timely manner for appropriate action.

Having considered its recent organisational structure, **the SRSS has assessed the internal control systems during the reporting year and has concluded that the internal control standards are implemented and functioning as intended with the exception of the requirements of the standards mentioned above, which need further improvement or actual development.** No weaknesses were identified in 2016 that might have a significant impact on assurance.

2.1.4 Conclusions as regards assurance

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

The information reported in Section 2.1 stems from the monitoring and auditing results by management and auditors, as set out in various reports basis on an analysis of the available evidence. The following factors provide sufficient guarantees as to the completeness and reliability of the information reported, a true and fair view of activities in 2016 and full coverage of the budget delegated to the Director-General of the SRSS:

- ✓ The SRSS' internal control systems provide sufficient assurance for appropriately managing the risks relating to the legality and regularity of the underlining transactions. Further assurance on the legality and regularity of SRSS transactions stems from the fact that SRSS credits and financial agents having performed controls in 2016 originate from DG REGIO and DG EMPL, in relation to which no reservation was issued, in respect of direct and indirect management, in their respective Annual Activity Reports for the year 2015;
- ✓ The SRSS has applied appropriate ex-ante controls and these are deemed cost-effective in consideration of the new Service established. As part of its developing structure, the SRSS commits to establish in 2017 its own additional ex-post controls, which will complement the existing ex-ante controls to contribute to a more comprehensive and own assurance in the future;
- ✓ No cases were received by the Ombudsman and no legal proceeding were initiated by tenderers/contractors/beneficiaries;
- ✓ The SRSS has received no critical observations from the auditing bodies (ECA and IAS); moreover, the SRSS is facing no delay in the implementation of the audit recommendations received from the ex-Task Force for Greece;

- ✓ Resources were used for their intended purposes and sound financial management was applied; in the context of this report, no significant information has been omitted;
- ✓ The SRSS has put in place adequate controls to limit the risk of error and to prevent, detect and correct fraud and irregularities.

In conclusion, the SRSS considers that it has met its control objectives and assess the information reported as complete and effectively underpinning the AOD's declaration of assurance for 2016.

Overall Conclusion

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

2.1.5 Declaration of Assurance

I, the undersigned,

Head of the Structural Reform Support Service (SRSS),

in my capacity as authorising officer by delegation for the operational budget:

declare that the information contained in this report gives a true and fair view³⁷ of the state of affairs in the Service; and

state that I have reasonable assurance that the resources assigned to the activities described in this report have been used for their intended purposes 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 observations and the lessons learnt from the reports of the Court of Auditors for years prior to the year to this declaration.

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

Brussels, 29 March 2017

Maarten Verwey

³⁷ True and fair in this context means a reliable, complete and correct view on the state of affairs in the Service.

2.2 Other organisational management dimensions

2.2.1 Human resources management

The decision³⁸ setting up the SRSS stipulated that the SRSS would have a thematic structure, with teams of clusters, rather than formal units, thus allowing for flexible use of resources and coordination functions. It also provided that the SRSS would not have its own establishment plan: officials working for the SRSS would be seconded from other DGs, for an initial (renewable) period of 2 years.

These two key provisions were deemed necessary during the early stages of the SRSS, as they enabled the service to adjust its organisation efficiently with respect to the areas of support requested by the Member States (not known at the time the SRSS was launched).

In April 2016, the Commission modified the initial decision of June 2015, and provided the SRSS with a formal administrative organisation (units) as well as with an establishment plan.

The SRSS was structured primarily according to support policy areas, rather than Member States; in terms of efficiency, this facilitated the integration of the former TFGR and SGCY into a single service – as staff from the respective teams were absorbed into the various support policy units and clusters. In line with its mandate, the SRSS has also ensured strong country focus by nominating country coordinators for the main countries of operation.

Since July 2015, the SRSS has grown from 47 staff to 130 in December 2016. Of these, 35 staff were recruited and 39 staff were transferred from the former Turkish Cypriot community Task Force (previously in DG REGIO), 4 staff from the DG REGIO financial cell and 5 staff from DG EMPL. While the majority of the SRSS staff is based in Brussels, some colleagues work in offices based in Athens and Nicosia.

In 2016, the SRSS was composed of a management team (Director General, Director, Head of the Athens office, Legal advisor), one horizontal unit in charge of budget and finance (SRSS.01 Budget Finance and Evaluation), four policy units (SRSS.02 Governance and Public Administration; SRSS.03 Growth and Business Environment; SRSS.04 Labour Market, Health and Social Services; SRSS.05 Cyprus Settlement Support) units and two clusters (Cluster.01 Tax administration and Public Financial Management and Cluster.02 Finance and Access to Finance). Cluster 01 and 02 maintain such configurations notably because of the limited size of their teams.

The SRSS and the SG have signed a Memorandum of Understanding, which sets out the respective responsibilities and the arrangements between the two parties in respect of the following main areas: a) Budget, financial management, communication and data protection; b) Management of human and logistic resources, including IT; c) Document management; and d) Decision-making processes, briefings and parliamentary questions.

Further the human resources management, the SRSS remains responsible for the day-to-day management of its personnel, while the SG provides administrative support and ad-

³⁸ PV(2015) 2131 (17 June 2015); EC Administrative and Budgetary Decision 2157 meeting (17 February 2016); EC Administrative and Budgetary Decision 2164 meeting (12 April 2016)

hoc advice.

2.2.2 Better regulation

In 2016, the SRSS established its evaluation function, which is responsible for co-ordinating and monitoring evaluation activities, promoting quality of evaluation and organisational learning and assisting the services in the implementation of the Commission's evaluation policy. The evaluation function is embedded in Unit SRSS.01 - Budget, Finance and Evaluation, which is directly attached to the Head of the SRSS. This ensures timely and effective feedback of evaluation results into the decision-making process.

In 2016, the SRSS started activities to prepare the evaluation and monitoring guidelines. Internal procedures were completed with a view to launching the ex-post evaluation of the activities of the Task Force for Greece (TFGR) in the first semester of 2017. The mandate of the TFGR expired on June 30, 2015 and the new Structural Reform Support Service was set up in July 2015. This evaluation represent the first evaluation carried out by the SRSS and will contribute to building the evaluation capacity of the SRSS.

2.2.3 Information management aspects

In 2016, the SRSS contributed to the Commission's high standards in the areas of Informatics Technology and Document Administration. The SRSS applies the corporate document management rules in respect of registration and filing of documents.

Despite the good performance in 2016 in terms of registered, shared and filed documents, in 2017, the SRSS will continue to create awareness about effective document management to facilitate easier exchange and retrieval of information, and to develop electronic practices aimed at creating economy and efficiencies in the workplace.

2.2.4 External communication activities

During 2016, and pending the adoption of the Structural Reform Support Programme, the SRSS did not embark on major communication activities on the provision of technical assistance. The communication actions were limited to information sessions with Member States and international organisations providing technical support. In the case of Greece and Cyprus, specific meetings took place in Athens and Nicosia with the Member States Embassies to provide information on the Programme and on the state of play of the technical support provided to the Greek and Cypriot Authorities and to inform the relevant member-state authorities about the possibility to express interest in providing technical support.

Further to the **Aid Programme to the TCc**, overall, 138 visibility and communication actions took place in 2016.

There is a high demand for information on the EU in the Turkish Cypriot community. The EU Infopoint, which is managed by the EUPSO office together with the Representation of the European Commission in Cyprus, started functioning in early 2015 and is financed with a total budget of EUR 1.5 million for a 30-month period.

The EU Infopoint has generated a high level of visibility for the EU, its policies and the Aid Programme. Until now, it has covered more than 25 EU-related themes, including for instance environment (water, energy, recycling, biodiversity and waste management), organic agriculture, health & safety at work, food safety, animal welfare and animal

health. It has also covered topics like fundamental rights, human rights, disability rights, children's rights, gender equality, LGBTI rights and consumer rights.

Furthermore, in 2016, the EU Infopoint organised 47 events (35 in Nicosia and 12 outside of Nicosia) including Europe Day, European Week Against Racism, European Youth Week & International Youth Day, European Night of Researchers, EU Anti-Trafficking Day, Mobility Week and Traffic Safety, European Week of Sport, SMEs, etc. These events attracted over 4,382 participants in 2016, which shows increased interest from the community (2,383 participants at 2015 events).

During 2016, 5,139 information products and 12 newsletters were distributed (which brings the total since the opening of the Infopoint to 11,429 and 20 respectively). Also, 564 news articles and 32 TV spots appeared on local media organs during 2016 (923 and 82, respectively, since inception of the project). Traffic on the Facebook page "Abbilgi" also confirms the popularity of the activities (3,896 new likes in 2016, bringing the total number of likes since its opening to 8,471).

The EU Infopoint has been supporting the promotion of all Calls for Proposals and many EU-funded projects and events under the Aid Programme since the beginning of the project via Facebook posts/reminders, front-shop poster displays, and hosting of events and project launches at its public space. It established strategic partnerships during the implementation of the project with other EU-funded projects and technical assistance projects such as Civic Space, Private Sector, Animal Disease Eradication, Waste Management, etc., as well as with relevant departments and Civil Society Organisations in the Turkish Cypriot community.

In cooperation with the EU Agencies, the International Organisation for Migration, the UNHCR and the Greek authorities, the SRSS coordinated an information campaign targeting **migrants** who had arrived in the Aegean islands from Turkey after the EU Turkey Statement of March 2016. Between 25 July and 5 August 2016, 101 sessions were organised which informed over 2,300 migrants and their families by providing them with information about the registration procedure, the asylum procedures in Greece, the return to Turkey under the EU-Turkey Statement, and the Assisted Voluntary Return Programme.

The Head of SRSS had a series of media activities as of autumn 2016, including a series of interviews with Greek, EU and international media, a background briefing with journalists of national media in Athens where he presented the Joint Action Plan for the implementation of the EU-Turkey Statement, and one background briefing with local journalists in the island of Chios. The EU Coordinator for the implementation of the EU - Turkey Statement explained that the EU Turkey Statement has delivered on its main objectives to decrease the number of migrants arriving on the Greek islands and drop dramatically the number of the lives lost in the Aegean Sea. The EU - Coordinator focused his messages on the importance to continue implementing the EU - Turkey Statement, the urgent need to improve migrants' living conditions on the hotspots and create detention capacity. He explained that that these measures will serve the islands' interests and can lead to the decongestion of the islands by the end of April 2017 before the touristic season begins. Relevant information material prepared by SRSS has been distributed to all journalists and was used in their media reports.

SRSS ran a series of media activities in the hotspot islands through the EC representation's contractor "MS COMM Group", aiming to communicate on the results and the necessity of the EU - Turkey Statement. 23 articles were placed on local media of Chios, Lesbos and Kos from August to December 2016. In addition, audio-visual material with stories of refugees who seek international protection in Greece were produced and

were broadcasted on local and national media.