



Annual Activity Report 2022

INTERNAL AUDIT SERVICE [DG IAS]

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THE INTERNAL AUDIT SERVICE IN BRIEF

The Internal Audit Service (IAS) is an independent central service in the European Commission, led by the Commission's Internal Auditor, Dr Manfred Kraff.

Its mission¹ is **to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight**. The IAS helps the audited entities accomplish their objectives by bringing a systematic, disciplined approach in order to evaluate and improve the effectiveness of risk management, control and governance processes.



By providing assurance to the audited entities and the College of Commissioners, the IAS directly **contributes to the Commission's general objective of creating a modern, high-performing European public administration, increasing public confidence in the European Union and enhancing its image**. Indirectly, it also **contributes to the overall political ambitions and objectives of our institution and of the European Union** by auditing management and control systems and providing assurance on the effectiveness of risk management, control, and governance processes to the other European Commission services, the European External Action Service, executive agencies, the European Schools and the EU agencies and other autonomous bodies receiving contributions from the EU budget (hereinafter called 'audited entities'). At the request of its auditees, the IAS can also provide consulting services.



The IAS conducts its internal audit activities in accordance with the governance arrangements of the European Commission, the Financial Regulation (FR)², the International Standards for the Professional Practice of Internal Auditing (the Standards)³ and the Code of Ethics of the Institute of Internal Auditors (IIA)⁴. It works in an open and transparent manner, meeting the expected high level of professional and ethical standards. It reports and is functionally accountable to the Audit Progress Committee (APC) regarding its audit activities in the Commission and executive agencies. For its work in decentralised EU agencies and other autonomous bodies, the IAS reports functionally to the Board and the Director of each respective entity.

Under the von der Leyen Commission, the IAS falls under the portfolio of the Commissioner for Justice, Mr Didier Reynders.

¹ Mission Charter for the Commission and Executive agencies C(2022) 8450 of 28.11.2022. For EU agencies and other autonomous bodies, the IAS signs individual Mission Charters.

² Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union.

³ <https://na.theiaa.org/standards-guidance/Public%20Documents/IPPF-Standards-2017.pdf>

⁴ The IIA code of ethics describes the minimum requirements for conduct for the profession of internal auditing.

EXECUTIVE SUMMARY

This Annual Activity Report is a management report of the Director-General of the IAS to the College of Commissioners. Annual Activity Reports are the main instrument of management accountability within the Commission and constitute the basis on which the College takes political responsibility for the decisions it takes as well as for the coordinating, executive and management functions it exercises, as laid down in the EU treaties⁵.

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

The political agenda of President von der Leyen, as set out in the political guidelines and further developed in the mission letters to all members of the Commission, is the starting point for the 2020-2024 Strategic Plan of the Internal Audit Service (IAS). The IAS⁶, as the sole internal audit service provider in the Commission and domain leader in internal audit for the EU agencies and other autonomous bodies, contributes in the most visible way to the following general objective:

A modern, high-performing European public administration

In the political guidelines, the President puts strong emphasis on modernising the way the Commission works, for example through digitalisation, use of collaborative working methods and an increased focus on sustainability.



The IAS provides to the audited entities and the College of Commissioners **assurance on the effectiveness of risk management, control, and governance processes**. It helps the audited entities to achieve their objectives and also contributes to the effective and efficient management of resources and to promoting a performance culture (economy, efficiency and effectiveness).

The IAS also indirectly contributes to the overall political headline ambitions of the European Commission⁷ and the wider objectives of the European Union. Based on in-depth risk assessments performed for each of the audited entities, the IAS auditors identify the highest risks that may adversely affect the achievement of the wide range of general and specific objectives contributing to the high-level political ambitions of the von der Leyen Commission and its priorities for 2019-2024. These risks are covered by engagements

⁵ Article 17(1) of the Treaty on European Union.

⁶ The Internal Audit Service is an independent central service in the European Commission, led by the Commission's Internal Auditor, Dr Manfred Kraff. It audits management and control systems of each of the other European Commission services and executive agencies, and a growing number of decentralised EU agencies and other autonomous bodies receiving contributions from the EU budget (hereinafter called 'audited entities').

⁷ [Priorities 2019-2024 \(europa.eu\)](#). The Political Guidelines focus on six headline ambitions for Europe over the next five years and well beyond: (1) A European Green Deal, (2) An economy that works for people, (3) A Europe fit for the digital age, (4) Promoting our European way of life, (5) A stronger Europe in the world, (6) A new push for European democracy. In addition, the administration has a horizontal objective to be a modern, high-performing European public administration.

included in the IAS strategic audit plans (SAPs).

As part of the formal risk and internal control framework of the Commission and of the EU agencies and other autonomous bodies, the Internal Auditor works alongside other risk and control professionals, in particular the European Court of Auditors (ECA), the Commission's external auditor, and, where applicable, the Internal Audit Capabilities (IACs) of the EU agencies and other autonomous bodies. Together, these actors help the audited entities to manage risks.

Auditing has become more complex over the last years due to the increased number of interconnections between EU policies and between the entities contributing to their implementation. Therefore, the Strategic Audit Plans have to take into account this evolving process. The IAS has to be very flexible, constantly monitor the situation, swiftly update the audit universe, identify newly emerging risks, and adapt its in-depth risk assessments and audit plans to new developments. The IAS adapts its own organisation and working methods accordingly.

When planning its audits for the year 2022, the IAS had to consider the crisis management mode under which certain auditees operate (linked to Russia's war of aggression against Ukraine, including the energy and supply chain consequences), together with delays related to the adoption of legislation and kicking off programmes.

Through its **assurance and consulting activities**, the Internal Audit Service adds value to the effective and efficient implementation of governance, risk management and control processes and of EU policies, programmes and actions, to efficient and economical management of resources, to the legal and regular spending of the EU budget and to the compliance with the applicable legal frameworks by the audited entities.

The IAS performed a wide range of **audits** in 2022, covering governance aspects and operational and financial processes, in order to provide assurance to the audited entities that the controls in place are effective in mitigating those risks that may impair the achievement of their objectives. With a view to contributing to the Commission's performance-based culture, an important part of the Internal Audit Service strategic audit plans consists of **performance audits** concerning:

- data and information management;
- data protection;
- supervision strategies regarding the implementation of programmes by third parties;
- control strategies for selected directorates-general and services;
- human resources management processes;
- the implementation of the new internal control framework in the Commission.

Where weaknesses are identified in the course of an audit, **recommendations** are issued. These recommendations aim at mitigating the related risks in a cost-effective way, thereby adding value to the audited entity.

The implementation of the accepted recommendations is verified through follow-up audits. The IAS provides summaries of its follow-up work to its key stakeholders. In particular, it issues: (1) quarterly **overview reports** (or information notes) transmitted to the APC on

the follow-up of IAS recommendations concerning the Commission’s Directorates-General and services; and (2) **annual reports** on the status of open critical and significantly delayed recommendations to decentralised EU agencies and other autonomous bodies.

The Internal Auditor issues each year a **conclusion on the state of internal control** (limited type assurance) to each individual Directorate-General and service of the Commission, as a contribution to the preparation of their annual activity reports.

The Financial Regulation⁸ (FR, Article 247) requires the Commission to communicate to the European Parliament and the Council a set of financial and accountability reports, which constitute essential input for the annual “discharge procedure”, through which the European Parliament and the Council hold the Commission accountable for the way it manages the EU budget. This also provides a greater focus on value for money for citizens and thus contributes to **increasing public confidence in the European Union and enhancing its image**.

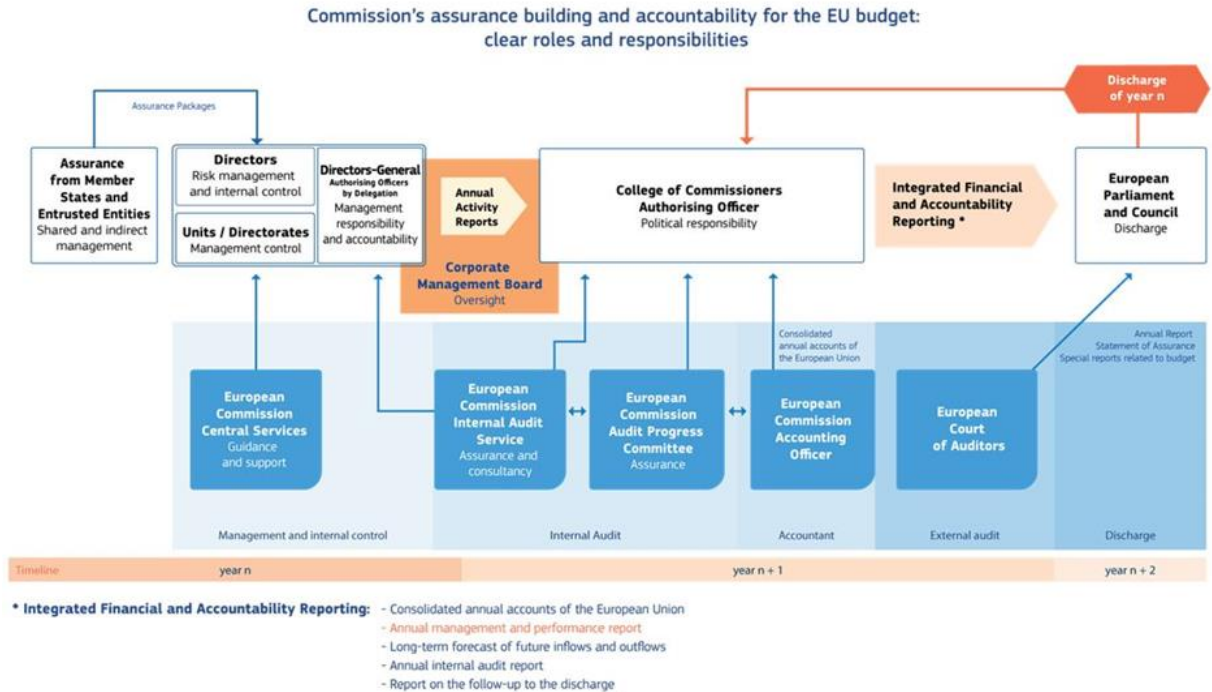


Figure 1 - Commission's Assurance and Accountability Chains (source: European Commission).

Each year the Commission prepares the **Integrated Financial and Accountability Reporting package (IFAR)**, which brings together comprehensive information on the implementation, performance, results, sound financial management and protection of the EU budget. It consists of five reports and the IAS contributes to two of them:

- (1) The **Commission's annual report to the discharge authority on internal audits carried out** (Article 118(8) of the FR), which presents a synthesis of the recommendations made by the IAS to improve the Commission's governance, risk management and internal control processes and the actions taken on those recommendations. This report, prepared by the Secretariat-General of the European Commission, is the summary of the **Annual Report of the Internal Auditor** (FR,

⁸ Regulation (EU, Euratom) 2018/1046 of the European Parliament and the Council of 18 July 2018.

Article 118(4)) through which the IAS reports each year to the Commission on its audit work in Commission Directorates-General, services and executive agencies.

- (2) the Commission's **Annual Management and Performance Report for the EU budget (AMPR)**, which contains the IAS annual **overall opinion on the Commission's financial management**, based on the audit work carried out in the area of financial management in the Commission Directorates-General, services and executive agencies during the previous 3 years.

B. Key Performance Indicators (KPIs)

Concerning the IAS core activities, most targets set out for 2022 in the IAS's 2020-2024 Strategic Plan and 2022 Management Plan were reached.

Following the good practices identified by the International Institute of Internal Auditors (IIA), the IAS uses a set of key performance indicators (KPIs) to ensure that its strategic audit plans deliver the desired results. The IAS targets and indicators are defined on an annual basis and closely monitored throughout the year.

The results for 2022 are overall satisfactory. The three KPIs that represent the most critical aspects of the performance of the IAS are as follows:

- ✓ Coverage, through the strategic audit plans and successive annual audit plans, of the financial management in Commission services resulting in the delivery of an overall opinion without material scope limitations.
- ✓ Level of satisfaction of stakeholders (APC/Management Boards and Directors-General/Directors of EU agencies and other autonomous bodies);
- ✓ Compliance with international internal auditing standards as assessed through the External Quality Assessment (EQA) and with the internal methodology and guidelines of the IAS.

Performance tables in Annex 2 provide a more detailed analysis of these and other KPIs.

For non-core business activities, a significant part of the targets was achieved. The performance tables in the Annex 10 provide a more detailed analysis.

C. Key conclusions on financial management and internal control

In line with the Commission's Internal Control Framework the IAS has assessed its internal control system during the reporting year and has concluded that it is effective and the components and principles are present and functioning as intended⁹.

In addition¹⁰, the IAS has systematically examined the available control results and indicators as well as the observations and recommendations from internal and external

⁹ See section 2.1.3. for further details

¹⁰ See section 2.1 for further details

quality assessments. These elements have been assessed to determine their impact on management's assurance about the achievement of the control objectives.

In accordance with the governance arrangements of the European Commission, (the staff of) the IAS conducts its operations in compliance with the applicable laws and regulations, working in an open and transparent manner and meeting with the expected high level the professional and ethical standards. The Financial Regulation requires that the organisational structure and the internal control systems used to implement the budget be set up in accordance with these principles.

Around 98% of the administrative expenditure of the IAS is directly delegated to the Office for Administration and Payment of Individual Entitlements (PMO), to the Directorate-General for Human Resources and Security (DG HR) and to the Directorate-General for Informatics (DG DIGIT), in accordance with the Commission's Internal Rules.

The IAS is therefore accountable for the remaining 2% of its administrative budget, which is co-delegated to DG HR and DG DIGIT (based on a service level agreement and a memorandum of understanding). This expenditure is covered by the Declarations of Assurance of these Directorates-General and of the IAS, as the primary AOD can rely on the efficiency and cost-effectiveness of the controls in place in DGs HR and DIGIT (as secondary AODs).

In 2022, as every year, the IAS executed its own additional ex-ante and ex-post controls on its mission expenses and monitored the implementation of its anti-fraud strategy. No issues have been reported in these areas.

In conclusion¹¹, the IAS management has reasonable assurance that, overall, suitable controls are in place and work as intended; risks are being appropriately monitored and mitigated, and necessary improvements have been/are being implemented.

The Director-General and the Director of IAS.C (in her capacity as Authorising Officer by Delegation (AOD) have co-signed the Declaration of Assurance.

D. Provision of information to the Commissioner

In the context of the regular meetings during the year between the Director-General and the Commissioner¹² on management matters, the main elements of this report and assurance declaration have been brought to the attention of Commissioner Reynders, responsible for Justice and the IAS.

¹¹ See section 2.1 for further details

¹² At Cabinet level

1. Key Results and progress towards achieving the Commission's general objectives and DG's specific objectives

Analysing the new audit universe and adjusting the organisation of the IAS¹³

Following the IAS reorganisation in 2021, the audit portfolios of the DG were reviewed to best align with the objectives of the Commission, while ensuring that the audited entities are allocated across the units and directorates in a reasonably balanced way. This reviewed portfolio allocation has been regularly assessed in 2022 in order to ensure that it remained adapted to our evolving environment and addressed potential issues that may be identified when implementing the IAS's new set-up.

Building upon this, the IAS has implemented actions defined to address areas for optimisation that had been identified during the reorganisation.

The IAS has also regularly updated its **knowledge clusters**, created in 2020 at the working level to help the service improve its knowledge sharing capacity across directorates and units, and promote a better understanding of the on-going developments in the political and operational environment.

The knowledge clusters, coupled with the revision of the audit portfolios, support the IAS in ensuring that the risks are covered in an efficient and effective way and further strengthen the management of resources.

Our contribution in 2022 to individual audited entities¹⁴

As part of its strategic audit plan, the IAS has performed in 2022 a wide range of **audits**, covering governance aspects and operational, financial and risk management processes, in order to provide assurance to the audited entities that the controls in place are effective in mitigating those risks that may impair the achievement of their objectives.

With a view to contributing to the improvement of the Commission's performance-based culture, it also carried out **performance audits** resulting in recommendations, for example concerning data and information management, data protection, supervision strategies regarding the implementation of programmes by third parties, control strategies for selected directorates-general and services, human resources management processes, and reviews assessing the implementation of the new internal control framework in the Commission.

Where weaknesses were identified in the course of the audit, **recommendations** were issued. These recommendations aim at mitigating the related risks in a cost-effective way, thereby adding value to the audited entity.

As per regular practice, the IAS also issues (1) quarterly **overview reports** (or information notes) transmitted to the APC on the follow-up of IAS recommendations concerning Commission's Directorates-General and services and (2) **annual reports** on the status of

¹³ Specific objectives 1 and 2

¹⁴ Specific objective 4

open critical and significantly delayed very important IAS recommendations to EU agencies and other autonomous bodies.

The Internal Auditor transmits each year a **conclusion on the state of internal control** (limited type assurance¹⁵) to each individual Directorate-General and service of the Commission, as a contribution to the preparation of their annual activity reports.

Ensuring coverage of the high-risk areas of the audit universe¹⁶

In accordance with the IIA Standards, Strategic Audit Plans (SAP) are risk based and the IAS's objective is **to cover the highest risk areas in its audit universe** over a three- or four-year period (i.e., 2021- 2023 for the Commission and the Executive agencies).

The annual update of the in-depth risk assessments was performed at the end of 2022, to revise the high risks and audit priorities for the year 2023 and the SAPs accordingly. The Russia's war of aggression in Ukraine, including the resulting impact on EU policies and administrative issues, were among the factors that the IAS took into consideration when reassessing the risks of the Commission services in the context of the mid-term review of the 2022 audit plan and the preparation of the 2023 audit plan.

In order to be able to deliver the **annual overall opinion of the IAS on financial management in the Commission**, the plan also has to ensure a certain minimum coverage of financial management in all Commission services and executive agencies over the three-year period. In the decentralised EU agencies and other autonomous bodies, the objective is also to cover the highest risks in the period of the strategic internal audit plans (i.e., four-year period), but there is no obligation to deliver an overall opinion on financial management per agency.

Delivering the audit plan and optimising the use of resources¹⁷

The IAS successfully completes annually between 70 to 90 audits, consulting, and risk assessment engagements, covering **100% of the number of engagements planned to be completed in the year**.

The year 2022 witnessed the continuous efforts to ensure the best practices, possibilities for improvement and efficiency gains, while fostering a greener Commission, in spite of a number of challenges presented by the remote auditing practices.

The IAS actively managed its operational performance through a detailed planning of audit tasks, allocation of staff to engagements, close monitoring of the respect of deadlines and milestones for all audits, detailed time recording for all staff and the regular analysis of the differences between budget and actual time spent on each audit. Audit staff spent **on average 85% of their time on audit activities**.

¹⁵ These limited conclusions have been issued on an annual basis since 2016.

¹⁶ Specific objective 3

¹⁷ Specific objective 4

Closely monitoring stakeholders' feedback¹⁸

In 2022, the IAS continued its practice of surveying its auditees at the end of each engagement on whether they consider that audits and recommendations cover the risks and processes in their entity, provide added value to their operations and contribute to an effective risk management, all with a high score of satisfaction level.

Moreover, the IAS yearly conducts additional satisfaction surveys with its key stakeholders, namely the members of the APC, the chairs of the boards of the EU agencies and other autonomous bodies, and senior management (Commission Directors-General, Directors of the executive agencies, Directors of the EU agencies and other autonomous bodies).

All stakeholders continue to recognise that the IAS covers the main risks and that its recommendations add value, confirming that the IAS helps them to improve their internal control. They also consider that the IAS performs its audits with objectivity, honesty and fairness. Building on the 2021 reorganisation, in 2022 the IAS developed its more holistic audit approach, continued to expand its auditors' knowledge of auditees' objectives and operations, and ensured the cost-effectiveness of its audit recommendations.

Complying with internal methodology and guidelines and international auditing standards¹⁹

Periodic assessments confirmed the IAS' conformance with the IIA Standards and the professional IPPF Code of Ethics. The 2021 external quality assessment (EQA²⁰), valid for 5 years, confirmed the IAS's compliance as well with all Standards and the Code of Ethics.

Despite the fact that no non-conformance issues were identified as a result of these assessments, the IAS continued to improve its (digitalised and lean) audit techniques and harmonise its audit practice, in line with leading practices.

¹⁸ Specific objective 5

¹⁹ Specific objective 6

²⁰ IIA Standard 1312: External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organization.

2. MODERN AND EFFICIENT ADMINISTRATION AND INTERNAL CONTROL

This section explains how the Internal Audit Service (IAS) delivered the achievements described in the previous section. It is divided into two subsections.

The first subsection reports on the control results and other relevant information that supports management's assurance on the achievement of the financial management and internal control objectives²¹. It includes the information necessary to establish that the available evidence is reliable, complete and comprehensive.

The second subsection addresses the other aspects for a modern and efficient administration: human resources, digital transformation and information management and sound environmental management.

2.1. Financial management and internal control

Assurance is provided on the basis of an objective examination of evidence of the effectiveness of risk management, control and governance processes.

This examination is carried out by the IAS management, which monitors the functioning of the internal control systems on a continuous basis. The results are explicitly documented and reported to the Director-General.

The following reports have been considered:

- the reports from Authorising Officers in the Directorates-General/Services (AOD) managing budget appropriations in co-delegation. DG HR analyses the results of different controls in order to substantiate the IAS assurance statement. These controls cover the part of the budget entrusted to DG HR by the IAS. The controls that are most relevant to the IAS assurance statement, as formulated in the AAR standing instructions, are the ex-post controls, the sub-delegated authorising officers' assurance reports and exceptions or non-compliance reports;
- the contribution by the Director in charge of Risk Management and Internal Control (RMIC), including the results of internal control monitoring at Directorate-General level;
- the reports on recorded exceptions, non-compliance events and any cases of 'confirmation of instructions' (Article 92(3) of the Financial Regulation), if applicable;
- the internal and external quality assessments (IQA and EQA) on the IAS audit activities.

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

²¹ Art 36.2 FR: a) effectiveness, efficiency and economy of operations; b) reliability of reporting; c) safeguarding of assets and information; d) prevention, detection, correction and follow-up of fraud and irregularities; and e) adequate management of risks relating to the legality and regularity of underlying transactions

This section covers the control results and other relevant elements that support management's assurance. It is structured into sections 2.1.1 on control results, 2.1.2 on external and internal quality reviews and follow-up actions, 2.1.3 on effectiveness of internal control systems, and resulting in section 2.1.4 on conclusions on the assurance.

2.1.1. Control results

This section reports and assesses the elements identified by management which support the assurance on the achievement of the Internal Control Objectives (ICO)²². The DG's assurance building and materiality criteria are outlined in Annex 5. Annex 6 outlines the main risks together with the control processes to mitigate them and the indicators used to measure the performance of the relevant control systems.

Taking into account that the implementation of the whole budget of the IAS is (co)delegated to the PMO, DGs HR and DIGIT (see annexes 3 and 4), management assurance in the IAS on financial management depends on the assurance provided by the AODs Declarations of these entities in their own Annual Activity Reports.

Activity: internal audit	Procurement		ICO indicators available at this level?	Any reservation?
Administrative expenditure (~ 98.34% of €27.35m - direct delegation)	N/A	~ €26.90m	PMO, DGs DIGIT and HR No issues reported	NO
Provision of services (missions, meeting and training) (~ 0.92% of €27.35m - co-delegation)	N/A	€0.25m	DG HR Non-recurring issues reported (see next section)	NO
Provision of IT-development services (TM) (~ 0.74% of €27.35m -co-delegation)	N/A	€0.20m	DG DIGIT No issues reported	NO
Totals (coverage)		~ €27.35m		NO

The only control results that go beyond what is reported in the AARs of DGs HR, DIGIT and PMO are the results of the ex-ante and ex-post controls on IAS mission expenses. The control processes and the indicators used to measure the performance of the relevant control system allow the IAS to ensure compliance of the mission expenses with the

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

Commission's Guide to Missions and Authorised Travel and the IAS specific guidance²³.

As the IAS's financial management is fully delegated to other entities, the internal control in the context of the AAR of the IAS mainly refers to the implementation of the internal control framework and its 17 principles for its non-financial operations.

The IAS Director in charge of Risk Management and Internal Control (RMIC) established, together with the IAS senior management team, the monitoring criteria against which the IAS implementation of the internal control principles would be assessed and monitored.

The annual risk assessment exercise was conducted in Q4 2022 and finalised in January 2023. No significant risks were identified which could have a material impact on the achievement of the internal control objectives and therefore on assurance. The self-assessment exercise of the IAS' implementation of the internal control framework was finalised in February 2023. The Director in charge of RMIC concluded that the IAS implemented an effective system of internal control. Some areas for improvement were identified and the related mitigating actions have been included in the IAS 2023 Management Plan.

In 2022, the IAS registered two non-compliance events related to payment of membership fees to professional organisations prior to receiving an authorisation from DG HR, and one exception event, which was related to participation in an external conference in the interest of the service prior to receiving an authorisation from DG HR. For all three events the financial risk and potential reputational risk for the IAS are considered low. Mitigating measures to prevent occurrence of similar events in the future have been put in place.

The AOD did not receive any binding instructions which he considered to be irregular or contrary to the principle of sound financial management, and therefore no cases of 'confirmation of instructions', in the sense of Article 92(3) FR, are reported.

The new reporting requirements stemming from the 2018 Financial Regulation, and listed below do not apply to the IAS:

- Cases of financing not linked to costs (new FR art 125.3);
- Financial Framework Partnerships >4 years (new FR art 130.4);
- Cases of flat rates >7% for indirect costs (new FR art 181.6);
- Cases of "Derogations from the principle of non-retroactivity pursuant to Article 193 FR" (new Financial Regulation Article 193.2).

1. Effectiveness of controls

a) Legality and regularity of the transactions

The IAS implements internal control processes to ensure the adequate management of the risks relating to the legality and regularity of the underlying transactions it is responsible for. The entire expenditure of the "Audit" activity is either directly delegated or co-delegated to PMO, DGs HR and DIGIT. According to Article 3.4 of the Internal Rules of the

²³ Payments are not included in the main control objectives as they are executed by the entrusted entity, PMO, subject to similar management governance modalities. The corresponding controls are reported by the PMO in their AAR.

Commission²⁴, DGs HR and DIGIT bear the responsibility for these co-delegated appropriations and report on them in their own AAR. Identified non-compliance/exception events (as referred to in the previous section) represent an immaterial part of the IAS budget with no financial consequences. No other issues were reported by PMO, DG HR and DG DIGIT for any type of IAS expenditure.

Where the ex-ante controls on the mission expenses identified transactions requiring corrections or clarifications, the related mission orders and expense declarations were adjusted before they were sent to PMO for further processing.

The IAS own ex-post controls on mission expenses found no errors.

[Department XXX]	Payments made	Relevant expenditure	Estimated risk (error rate %) at payment		Estimated future corrections and deductions		Estimated risk (error rate %) at closure	
	m EUR	m EUR	m EUR	%	m EUR	%	m EUR	%
RCS								
Item 1								
Item 2								
Item X								
[Department XXX] total	m EUR	m EUR	m EUR	%	m EUR	%	m EUR	%

Table X: Estimated risk at payment and at closure (amounts in EUR million) – N/A: as the IAS does not make any payments, calculations of estimated risk at payment and at closure are not applicable.

Based on the above, the IAS concludes that the DG’s controls are effective and that the payments were legal and regular.

For an overview at Commission level, the departments' estimated overall risk at payment, estimated future corrections and risk at closure are consolidated in the AMPR.

b) Fraud prevention, detection and correction

On 29 April 2019, the Commission updated its Anti-Fraud Strategy (CAFS). The Commission took stock of the implementation of the CAFS Action Plan in the 2021 report on the protection of the EU’s financial interests (PIF report). This report shows that practically all the actions have been implemented. Moving forward, OLAF has already confirmed that whilst the CAFS strategy itself is still valid, that the associated Action Plan needs to be reviewed and updated both to take account of new priorities and to build on the good work already done so as to target future action.

In parallel to these initiatives on the CAFS Action Plan, in December 2022 the IAS finalised its new Anti-Fraud Strategy for the next period 2023-25, in close cooperation with OLAF.

²⁴ Commission Decision C(2018) 5120 final of 3.8.2018 on the Internal Rules on the implementation of the general budget of the European Union (European Commission section) for the attention of the Commission departments.

The new anti-fraud strategy replaces the previous for the period 2020-2022. The IAS recognises that there are some emerging challenges that must be addressed in its own strategy to ensure the effective delivery of the Commission's strategic plans and objectives for EU citizens.

The implementation of the IAS Anti-Fraud Strategy is monitored and reported to management twice a year. All necessary actions for 2022, under the anti-fraud strategy 2020-2022, have been implemented. The IAS is a member of the interservice Fraud Prevention and Detection Network, established under the CAFS. In 2022 the IAS did not receive any financial recommendations from OLAF.

One of the key objectives contained in the revised IAS anti-fraud Strategy is to contribute to the implementation of the CAFS at the level of the Commission and the EU agencies and other autonomous bodies. The actions outlined in the IAS anti-fraud Strategy that are related to this objective include a) the prompt response to all OLAF requests for information or support and b) the communication of fraud-related audit results to OLAF.

The IAS carried out additional preventive and detective controls such as ex ante and ex post controls on missions and the mitigation of potential conflicts of interest reported by recruitment panel members and/or candidates.

Concerning the IAS audit activity, the leaking of confidential information (especially conferred by the auditees, and the results of audit work), conflicts of interest, and lack of objectivity have been identified as risks with a low probability. This is due to the ethical awareness and the stance of the IAS staff.

An information package on ethics was provided to all new IAS staff upon recruitment. Moreover, all IAS auditors are bounded by the IIA code of ethics, to which the IAS "generally conforms" according to the 2021 external quality review.

In the course of 2022, the IAS organised an Auditors' Forum talk on ethics. This presentation, also separately made to the European Court of Auditors to open their 'Ethics Week', gave a particular focus on a series of audits conducted by the IAS that focussed on auditing the risks arising in respect of ethics, anti-fraud, and potential conflicts of interest in human resources management, in EU decentralised agencies and other bodies. This was considered a very important topic relevant both to remind staff of the core ethical and anti-fraud risks that exist in a range of organisations, but also allowed an extended discussion on the necessary management controls that would be expected to protect and detect them. Considering that the IAS is a non-spending Directorate-General with a low fraud risk profile, we can conclude that the implementation of its anti-fraud strategy was satisfactory in 2022.

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

c) Other control objectives: safeguarding of assets and information, reliability of reporting

As the IAS manages sensitive information in the framework of its audits, it has put in place procedures to ensure that staff handle information with the necessary precautions to avoid the leak of confidential data or the violation of the data integrity. Specific guidance for IAS staff, in line with Commission rules and regulations, is published on the intranet of the IAS

and newcomers are informed about it upon their arrival. In addition, IAS staff with an audit certification are required by their professional bodies to adhere to a strict code of ethics. No leak of confidential data and no violation of data integrity was reported in 2022.

2. Efficiency of controls

As the IAS has fully (co-)delegated its financial management, the efficiency of controls mostly depends on the systems and controls of the entities to whom the management of the budget was (co-)delegated. In 2022, the IAS was satisfied with the timeliness of the services provided by the PMO, DG HR and DG DIGIT.

3. Economy of controls

The cost of controls relating to the (co-)delegated budget is reported in the AARs of the entities to whom the budget was (co-)delegated. The (co-)delegation of the financial management of the IAS budget is fully in line with the Commission's synergies and efficiencies initiative, which aims at an increase of efficiency through the centralisation of certain repetitive administrative tasks.

Within the IAS, the remaining costs arise from the ex-ante verification of the mission orders and mission expense declarations by the assistant of the AOD together with the independent ex-post verification of a sample of mission expense declarations in the framework of the preparation of the AAR.

The total cost of the controls amounts to € 4.295,80 for 2022. Due to COVID-19 travel restrictions and with a view to reduce missions in the context of the greening of the Commission, the number of missions and the related budget implemented were partially reduced in 2022 compared to the pre-covid trend. As a result, the time allocated to ex ante and ex post controls was reduced proportionally.

The amount invested in these controls appears proportionate to the IAS mission budget, especially when taking into account the importance of the reputational risk if the IAS were to be found not to respect the Commission rules regarding the reimbursement of mission expenses.

4. Conclusion on the cost-effectiveness of controls

Based on the most relevant key indicators and control results, the IAS has assessed the effectiveness, efficiency and economy of its control system and reached a positive conclusion on the cost-effectiveness of the controls for which it is responsible.

2.1.2. External and internal quality reviews and follow-up actions

In 2021, the IAS underwent a full external quality assessment as required by international auditing standards²⁵, which is valid for 5 years. The external assessor concluded that "the European Commission's Internal Audit Service (EC's IAS) "generally conforms" to all IIA standards for the period in scope (2017-2021) and "generally conforms" to the IPPF code of ethics. "Generally conforms" is the highest rating that can be achieved.

²⁵ Standard 1312 of the Institute of Internal Auditors' (IIA) Standards for the Professional Practice of Internal Auditing states "External assessment must be conducted at least once every five years by a qualified, independent reviewer or review team from outside the organisation".

In 2022, the IAS continued to improve its audit techniques, harmonise its audit practice, in line with leading practices, and to follow up on various internal initiatives related to audit methodology and audit-related tasks to further enhance efficiency of the audit process.

2.1.3. Effectiveness of internal control systems

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

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

For the assessment of the effectiveness of the internal control systems, the IAS management followed the methodology established in the 'Implementation Guide of the Internal Control Framework of the Commission'.

To detect possible control deficiencies, the IAS used the following information sources:

- a self-assessment against internal control monitoring criteria
- weaknesses spontaneously reported by staff;
- the anonymous survey collecting IAS staff opinions on the compliance with and functioning of internal control principles in order to assess the effectiveness of the principles;
- the monitoring and reporting of exceptions and non-compliance events;
- the ongoing monitoring of the implementation of anti-fraud controls and strategies; and
- the ongoing monitoring of the performance of the internal audit activity, in accordance with international professional standards.

Based on the analysis of the information sources mentioned above, the IAS has assessed its internal control system during the reporting year and has concluded that it is effective, and the components and principles are present and functioning as intended.

Nevertheless, the IAS defined several actions to continue maintaining and strengthening its internal control systems with an objective of adaptive and continuous improvement.

2.1.4. Conclusions on the assurance

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

As the entire expenditure is (co-)delegated to either PMO or to DGs HR and DIGIT, the AODs of these services bear the responsibility for their implementation and report in their AARs. As no issues are reported in this regard, the IAS can conclude that the controls are effective, that the payments were legal and regular and that the resources were used for their intended purpose in conformity with the principles of sound financial management.

The additional ex post controls executed on mission expenditure confirmed that management of missions was implemented according to the Commission mission rules and the IAS guidelines.

According to the results of the self-assessment exercise, the internal control principles are present and function as intended in the IAS. This last element also covers specific internal control objectives, such as the safeguarding of assets and information and the prevention, detection and correction of fraud and irregularities.

The functioning of the internal control systems was monitored throughout the year by the IAS senior management and was reported on by the Director in charge of RMIC, and corrective or additional mitigating controls were implemented when necessary.

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

The Director-General and the Director IAS.C, in her capacity as Authorising Officer by Delegation, have co-signed the Declaration of Assurance.

2.1.5. Declaration of the assurance

We, the undersigned,

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

and

Cristiana Giacobbo, Director IAS.C, in my capacity as authorising officer by delegation,

Declare that the information contained in this report gives a true and fair view²⁶.

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

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

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

Brussels, 31.03.2023

Manfred Kraff

Cristiana Giacobbo

²⁶ True and fair in this context means a reliable, complete and correct view on the state of affairs in the DG.

2.2. Modern and efficient administration – other aspects

For a number of years, the European Commission has been going through a fundamental change of its institutional culture. The political and economic environment of the EU will accelerate and reinforce this process that helps us to embrace the future.

Key elements of this necessary change of the institutional culture are a:

- more agile and flexible, as well as a more transparent and digital way of working;
- new and more inclusive leadership, with fewer hierarchies;
- breaking of silos and more cooperation at all levels;
- method of working together at political level which is matched with increased cooperation at services level, pooling knowledge and expertise;
- general attitude which makes sure that we do more with less;
- high priority to performance measurement and reporting on achievements.

As a modern public administration, the Commission implements an internal control framework inspired by the highest international standards. Its internal control framework²⁷ supports sound management and decision-making. It notably ensures that risks potentially affecting the achievement of objectives are taken into account and reduced to acceptable levels through cost-effective controls. The IAS has established an internal control system tailored to its particular characteristics and circumstances. The effective functioning of the service's internal control system is assessed on an ongoing basis throughout the year and is subject to a specific annual assessment covering all internal control principles.

The IAS organisation and the structure of its audit portfolios, consolidating the audit of partner DGs and related decentralised agencies, joint undertakings and other autonomous bodies, enables the IAS to take a holistic view, detached from the organisational structure of DGs, EU agencies and other autonomous bodies, in alignment with the institution's 'whole of government' approach. This approach supports the IAS in covering the risks in the audit universe in the most efficient and effective way, taking into account the evolving political, cultural and organisational developments of the European Commission.

This organisation is supported by a continued attention to the optimised management of resources and by flexible ways of working, reaping the opportunities offered by available digital tools.

The following sections describe key achievements in 2022 to improve the processes in the fields of human resources, digital transformation and information management and sound environmental management.

2.2.1 Human resource management

In order to ensure the effective management of human resources and to optimise the

²⁷ [Communication C\(2017\)2373 - Revision of the Internal Control Framework](#). The Commission's system covers all the principles of internal control identified in the Committee of Sponsoring Organizations of the Treadway Commission 2013 (COSO) Internal Control framework, including financial control, risk management, human resource management, communication and the safeguarding and protection of information.

capacity to deliver on priorities, the IAS is finalising the update of its HR strategy with a medium to long-term outlook (3–5 years) consistent with the overall corporate HR strategy and the impact of the pandemic. The results of the 2021 staff survey have already been included in its being finalised HR strategy action plan, ensuring that the IAS will timely meet the challenges identified.

Maintain and further increase staff engagement

Through the knowledge clusters the audit staff has been having the opportunity to learn more about other parts of the IAS, the Commission and EU agencies and other autonomous bodies as a whole, and hence can be more involved in the preparation of the next strategic audit plans.

The Staff Engagement Committee and the IAS Communication Team kept on providing internal communication activities, including the IAS newsletter, the organisation of Auditors' fora, allowing auditors and non-auditors to share their experiences with colleagues, as well as the organisation of an away day in the autumn, with the objective to promote team cohesion and values in a post-covid and semi-remote working environment. Social activities have gradually restarted as well.

In parallel, the IAS the equality team continued to promote various initiatives supporting equality between women and men and preventing discrimination on grounds of sex, racial or ethnic origin, religion or belief, disability, age or sexual orientation. It kept also looking into disability related matters.

In compliance with the new ways of working of the Commission, the IAS continued to promote flexibility, fostering trust-based management and enabling staff to better manage their work-life balance (flexible ways of working, part-time, teleworking, time credits, recuperation, etc.). The rationale behind was not only that staff engagement is good for performance and productivity, but also that these factors increase the attractiveness of the IAS as an employer, stimulate staff retention and help keep the vacancy rate under control.

The added value of these actions and of the flexible management culture has been evidenced in the very positive IAS staff engagement index assessed through the recently published Commission staff survey.

Increase the percentage of female representation at middle management level

Female representation in IAS middle management stands at 33% (as of 30/06/2022). On 1 April 2020, the Commission adopted new quantitative targets for first female appointments, whereby the IAS was set a target of one first female appointment as Head of Unit by end of 2022. This target was already met in July 2021.

The IAS continued its initiatives to increase the pool of female candidates for middle management positions; it monitored the gender balance for Deputy Head of Unit, Team Leader and DG Correspondent roles encouraging female officials to attend management courses. The IAS also participated to the Female Talented Management Programme and has organised internal selections to identify the most suitable candidates and provided two (female) senior managers as mentors.

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

The absence of recent specialised audit competitions and the resulting unavailability of laureates' lists compromised the possibility for the IAS to timely recruit on vacant positions. This negatively impacted its staff workload and its vacancy rate, and put high pressure on its staff to complete the strategic audit programme in due time.

To address these issues, the IAS has put in place several actions to better advertise its vacancies within and outside the Commission, to identify more efficiently available adequate profiles as well as to further optimise its use of human resources, including a significant reduction in the number of support staff to increase the number of auditors, and the review a range of internal processes to identify efficiency gains.

Another key action is the pro-active temporary reallocation of audit capacity between the three audit directorates in order to optimise the use of audit resources and expertise, in particular with respect to team leaders.

Increase the capacity and the level of professionalism of internal auditors

To maintain its high level of professionalism, credibility and trust as expected by auditees, the IAS has always encouraged its professional audit staff to being fully professionally certified.

The comprehensive specific audit training programme for its new and more experienced internal auditors, and by extension those of the EU institutions and the decentralised EU Agencies, has been regularly reviewed taking account of changes in the audit environment and priorities for internal audit, staff expectations and remote auditing and teleworking practices.

The IAS has organised Auditors' Forum seminars and two meetings of the Auditnet for the decentralised EU agencies and other autonomous bodies.

In parallel, other training opportunities outside the Commission have been offered in particular to lead auditors and IT auditors, via participation in specialised training courses, and conferences and webinars/seminars that address specific audit areas.

Promote (internal) communication and professional networking

Most communication activities of the IAS are of an 'internal' nature with external communication limited to networking with professional bodies and actors in the field of auditing.

The annual IAS Conference took place in May 2022: an example of its regular contacts and interactions with professional bodies in the field of auditing, together with the Institute of Internal Auditors (global, EU and Belgian level).

With the post-covid working arrangements finally stabilised, the IAS planned to relaunch the job-shadowing initiative in the Commission as well as the IAS international exchange programme, which are as well ways to promote professional and international networking for the senior auditors.

2.2.2 Digital transformation and information management

In its **digital solutions modernisation plan**, the IAS identified two major transformation initiatives: the replacement of the current audit management system with a modern web-

based solution, and the launch of the “Innovation & Digital Auditing” project.

In parallel, as part of the envisaged revision of the Financial Regulation and in line with the headline ambition “A modern, high performing and sustainable Commission”, the Commission is further promoting the need to, where appropriate, design and perform controls and audits that use automated IT tools and emerging technologies (inter alia, data mining, machine learning, robotic process automation and artificial intelligence). This approach for the digitalisation of controls and audits goes hand-in hand with the IAS activities as defined in this section.

The ongoing digitalisation of Commission processes would fully support the efforts of the IAS to be ready to “audit digital” and would also provide the framework enabling the use of the related IT tools. The use of these technologies will improve the way the IAS reviews processes and information, in particular the quality of data.

Audit management tool

The support for the current version of the audit management tool which the IAS is using (TeamMate) will end in the course of the period covered by the Strategic Plan 2020-2024.

In 2022, the IAS finalised a statement of work with a selected system vendor, followed by purchase order for the migration services and eventual software licenses. The migration work will continue in 2023 with installation and configuration of the software, and a launch of a pilot audit project using the new tool.

As it was the case for the selection of TeamMate, the IAS has performed a detailed assessment of risks related to the handling on information (mostly Sensitive Non Classified) for the new audit management tool. The results of the assessment will be integrated in the new IT security plan before putting the new IT system in production. Concerning information stored in the different EC corporate tools (ARES – Outlook – shared drives) the IAS has followed the related regulatory framework.

As an administrative DG, the IAS uses the cyber security services provided by DG DIGIT. We do not devote any own resources in this.

Digital Strategy

In 2022, a multi-annual IAS innovation and digital auditing plan and a roadmap (IAS digital strategy 2022-2024) was published, which describes whether and how five technological areas (AI, data analytics and process mining, blockchain, data visualisation and publication of digital reports) would play a role in the work of the IAS in the coming years. The use of these technologies will continuously improve the way the IAS reviews processes and information, in particular the quality of data. This will contribute to the Data Quality policy.

In 2022, the IAS continued with its digital auditing initiatives in line with the IAS digital strategy 2022-2024 with significant progress in both methodological aspect (adjustment of IAS working methods) as well as in the actual use of digital tools in our audit testing (QlikSense for data analytics and visualisation, Celonis for process mining) and in our management of audits (expansion of QlikSense use). It also included recruiting/developing new profiles, strengthening the digital auditing working group.

Sharing platform for collaborative work with stakeholders and within the IAS

The IAS promoted the use of collaborative tools like SharePoint and, Microsoft365 including Teams.

In the context of the new Welcome domain, Microsoft 365 can be used for sharing the sensitive non-classified (SNC) information only after the staff members' migration to the new domain. The migration has been made gradually available and is now completed for the majority of the IAS staff. With this in mind, Microsoft Teams has been promoted for collaboration within the IAS and with other services.

Moreover, TeamMate is also a tool that is available to other DGs to work collaboratively on the implementation of action plans.

The IAS is also using (s-)CIRCABC (Communication and Information Resource Centre for Administrations, Businesses and Citizens) collaborative platform to exchange documents and collaborate with contacts from decentralised agencies that do not have access to the Commission's internal collaborative tools and/or ARES/HAN system. The CIRCABC external collaborative spaces reduce exchange of documents via e-mail and provide better security. In particular when exchanging sensitive information we used the s-CIRCABC platform, which offers additional security features (e.g. encryption at rest, and dual factor authentication). So far, (s-)CIRCABC has been used for collaboration with 31 agencies and other bodies.

By promoting the use of these tools as key working methods and providing support on their use, the IAS follows the collaborative working principle identified in the 2016 Communication on Data, information, and knowledge management at the European Commission. At the same time, these elements contribute to the Data protection and Information security policy by providing means for secure exchange of sensitive information.

Data protection

The IAS continued to take necessary actions in order to ensure compliance with the legal framework and the Commission's Data Protection Action Plan²⁸, in particular:

- ensured that all processing operations comply with Regulation (EU) 2018/1725, including obligations on records keeping and their updates, data subject rights, agreements with external processors and by allocated appropriate resources for compliance;
- raised awareness of staff on data protection. Awareness campaigns were promoted through IAS Intracomm News, dedicated data protection section or directly communicated through e-mail to all IAS staff reaching 100% of staff. In addition, an Auditors' Forum session on "Journey to Data Protection: legal requirements and practical application in audits and beyond" was organised and reached 65% participation rate of all IAS staff.

The nature of the IAS activities involves the processing of personal data (although not targeting specific individuals). The target for training staff on aspects of data protection during audits should remain at 100% per year, every year until 2024. In 2022 the IAS has trained all newcomers on data protection during audits but does not request the attendance of staff that attended the year before.

²⁸ C(2018)7432 and reviewed action plan C(2020)7625.

2.2.3 Sound environmental management

EMAS

The IAS takes full account of its environmental impact in all its actions and actively promoted measures to reduce the related day-to-day impact of the administration and its work.

Having its offices in one of the Commission buildings participating in the Eco-Management and Audit Scheme (EMAS), the IAS performed its actions in line with the EMAS and contributes to the reduction of the building's energy consumption, CO2 emissions, waste generation, water use and office paper consumption.

The IAS regularly promoted the EMAS corporate campaigns at local level and identified local environmental actions in order to support the Commission's commitment to implement the objectives of the Green Deal for its own administration, including becoming climate neutral by 2030. The IAS especially worked on raising awareness on a number of environmental topics and integrating environmental considerations into the IAS activities (events, journals, missions, etc.).

The IAS continued to implement activities defined in its yearly updated IAS EMAS action plan managed and supported by the "IAS green ambassadors" (subgroup of the IAS Staff Engagement Committee).

