



2018

Annual Activity Report

Annexes

**Internal Audit Service
(DG IAS)**



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ANNEX 1a:

Statement of the Director in charge of Risk Management and Internal Control

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

I, the undersigned, Reinder van der Zee, Director (IAS/A), in my capacity as Authorising Officer by delegation of the IAS and Director in charge of Risk Management and Internal Control, declare that in accordance with the Commission's communication on the internal control framework¹, I have reported my advice and recommendations on the overall state of internal control in the IAS to the Director-General.

I hereby certify that the information provided in the present Annual Activity Report and in its annexes is, to the best of my knowledge, accurate and complete.

Brussels,

[Signed]

Reinder van der Zee

¹ C(2017)2373 of 19.04.2017.

ANNEX 1b:

Statement of the "Shared resources services" DG Human Resources and Security

 Ref. Ares(2019)1644875 - 12/03/2019

I declare that in accordance with the Commission's communication on the internal control framework¹, I have reported my advice and recommendations to your services on the aspects of financial management and internal control in the IAS that fall under the responsibility of DG HR.

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

[Signed]

Christina Vlassis

¹ C(2017)2373 of 19.04.2017.

Annex 2

DG HR's Services to the IAS in 2018

Internal Control and Accounting Services

Internal Control Services

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

I) Ex-Post Control on Financial Transactions

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

A second objective of the ex-post control campaigns is to identify and remedy any control weaknesses in financial management. The results of ex-post control performed in DG HR, although not specifically designed to focus on IAS financial management, covered the key processes and individual transactions (commitments, payments and recoveries) that would affect the assurance statement of the IAS. The results of the controls, based on an estimated 33% of the budget, indicate an error rate (RER) of 0%. The errors were generally linked to procedural issues as opposed to material losses or 'amounts at risk'. This reassuring result would confirm the findings of the Court of Auditors in recent years.

II) Assurance Reports and Exceptions or Noncompliance Reports

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

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

Accounting Services

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

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

Overall Result for the AAR of the IAS

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

Christina VLASSIS

DG HR's Internal Control Coordinator

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

Cc. E. Boersma, Head of Internal Control Sector;
M. Schools, Accounting Correspondent

ANNEX 2: Reporting – Human Resources, Financial Management (including risk management and internal control), Information Management and External Communication

This annex is the annex of sections 1.2 "IAS's own organisational management" and 2.2 "Other organisational management dimensions".

Human Resources Management

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

Specific objective 2.1:
 Contributing to the achievement of the Commission-wide objectives regarding female representation in middle management, staff well-being, and staff engagement

Indicator 1 (mandatory):
Percentage of female representation in middle management
 Source: data provided by DG HR

Percentage of female representation in middle management		
Baseline 2016: IAS: 22.2% Commission: 31.9%	Commission-wide target by end 2019: 40%	Latest known results as per Annual Activity Report: IAS: 30% Commission: 40%

Number of first appointments of female managers		
	IAS target by end 2019: one additional first female appointment	Latest known results as per Annual Activity Report: <i>Target reached in 2017 (one additional female HoU appointed, no other management vacancies since)</i>

Indicator 2 (mandatory):
Percentage of staff who feel that the Commission cares about their well-being at work
 Source: [Commission Staff Survey](#) – data provided by DG HR

Baseline 2014: IAS: 37.5% Commission average not communicated for 2014 survey	Target: To be in line with the Commission average	Latest known results as per Annual Activity Report 2018 staff survey: IAS indicator: 73% Commission average: 52%
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Indicator 3 (mandatory):
Staff engagement index
 Source: Commission staff survey – data provided by DG HR

Baseline 2014: IAS: 65.5% Commission average: 65.3%	Target: To be in line with the Commission average	Latest known results as per Annual Activity Report 2018 staff survey: IAS indicator: 75% Commission average: 69%
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Specific objective 2.1:

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

Result indicator 1:**Vacancy rate**

Source of data: Internal calculations

Baseline 2015: 8%	Target: To be in line with the Commission average	Latest known results as per Annual Activity Report: <u>2016</u> : 3.3% at 31/12/2016, Commission average 5.3% <u>2017</u> : 4.8% at 31/12/2017, Commission average 6.0% <u>2018</u> : 10% at 31/12/2018, Commission average 5.95%
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After a challenging period of staff reduction² between 2012 and 2017 and the centralisation of the Commission's internal audit function in 2015, the IAS managed by the end of 2017 to keep the vacancy rate at 4.8%, lower than the Commission's average of 6%. The reserve list of the specialist competition for auditors AD/322/16 proved to be successful in meeting the recruitment needs of the IAS in 2017, as evidenced by the recruitment of 13 laureates that year.

In 2018, the IAS could not repeat this good performance, although it managed to recruit four more laureates of that reserve list. However, by mid-year the reserve list was nearly exhausted, which deprived the IAS of its main source of recruitment. In addition, the number of Commission officials applying for IAS vacancies decreased around the same time. Consequently, the average recruitment time for vacancies in the IAS (5 months) increased, leading to a vacancy rate of 10 % at the end of 2018, higher than the Commission's average of 6%.

In view of these challenges in terms of recruitment, the IAS started in Q4 2018 the organisation of a new specialist competition for auditors which will be launched in 2019 in cooperation with DGs employing external auditors. It further prepared a Call for expression of interest to be launched in Q1 2019.

Result indicator 2:**Encourage AD8 and above female administrators to follow a management training course**

Source of data: Internal

Baseline 2016: IAS: 62.5%	Target 2019: 75%	Latest known results as per Annual Activity Report: 2016: 62,5% 2017: 75% (9 out of 12) 2018: 50% (6 out of 12) have followed the course Still in line with SAP 2016-2020.
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Reduction is due to the departure of two trained colleagues to more senior positions in other DGs and the recruitment of colleagues from other DGs, but who have not yet had the opportunity to follow a management course.

² In the context of the 2014-2020 Multiannual Financial Framework, it was decided to reduce the Commission's staff by 5% over five years (1% linear taxation per year during 2013-2017) in order to lower administrative costs. The Commission also decided to apply a further internal taxation on posts in order to establish a central pool of resources for redeployment within the Institution.

Specific objective 2.2:

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

Indicator 1:

Percentage of staff certified

Source: Internal calculations

Baseline 2015	Interim Milestone			Target 2019	Latest known results as per Annual Activity Report
	2016	2017	2018		
64% Result: 66%	66% Result: 66%	67% Result: 72%	68% Result: 73%	70%	2018: 73%

Result indicator 2:

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

Source: Internal

Baseline 2014: 6 Auditors Forum seminars	Target 2016-2020 (yearly target): At least six seminars per year Average satisfaction rate of > 85%	Latest known results as per AAR: Six seminars per year 82% average satisfaction rate
Baseline 2014: Auditnet EU agencies	Target 2016-2020 (yearly target) At least two meetings per year	Latest known results as per AAR: Target met
Baseline 2014: Hosting annual international audit conference Satisfaction of 84%	Target 2016-2020 (yearly target) <i>One day conference (per year)</i> <i>Satisfaction rate of participants $\geq 85\%$³</i>	Latest known results as per Annual Activity Report 2014: 87% 2015: 91% 2016: N/A (no conference held) 2017: 98% 2018: 96%

Result indicator 3:

The Internal Audit Training Programme covers the necessary needs as defined by the Internal Audit Training Steering Committee

Source: Internal annual training needs survey

Baseline 2015: needs are covered	Target 2016-2020 (yearly target) IAS Management confirming that the 100% of all approved training needs are covered	Latest known results as per Annual Activity Report 100% of approved training needs covered
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Overview of the main outputs in 2018

Description	Indicator	Target	Latest known results (situation on 31/12/2018)
HR plan 2016-2020	Timely update	March 2018	Target met
Management of vacancy rate	Vacancy Rate	December 2018: 6% Commission average	Target not met (10%)
Talent management campaign to encourage	% of AD8 and above	75% by end 2019	Target not met

3 This calculation is based on the average level of satisfaction of (1) the conference met its objectives and (2) the expectations of the participants were met.

female AD staff to apply for management positions	female administrators following a management training course		(50%), but in line with SP 2016-20
Implementation of the actions of the SEC	% of implementation of actions planned for 2018	100%	Target met (100%)
Update Learning and Development Strategy	Timely delivery	February 2018	Target met
Internal Audit Training Programme	Timely delivery	January 2018	Target met
Finalise list of topics for Auditors' Forums	Timely delivery	January 2018	Target met
Organise 6 Auditor Forum sessions	Timely delivery	December 2018	Target met
Annual Audit Conference	Timely delivery	December 2018	Target met
Auditnet for EU Agencies and other bodies	Timely delivery	2 sessions before December 2018	Target met

Financial Management (including risk management and internal control)

General objective (mandatory):

The Authorising Officer by Delegation should have reasonable assurance that resources have been used in accordance with the principles of sound financial management, and that the control procedures put in place give the necessary guarantees concerning the legality and regularity of the underlying transactions including prevention, detection, correction and follow-up of fraud and irregularities.

Objective 1 (mandatory):

Effective and reliable internal control system giving the necessary guarantees concerning the legality and the regularity of the underlying transactions

Indicator 1 (mandatory):

Estimated residual error rate⁴

As explained in the narrative, the IAS will rely on the assurance provided by the AOSDs and its additional own controls regarding mission expenditure. As in the past, a qualitative approach will be employed to judge on the legality and regularity of expenditure taking into account all of the above.

Source: IAS internal

Baseline	Target 2016-2020 (annual target)	Latest known results as per AAR
2014: judged to be close to 0 %	<i>Below the materiality threshold of 2% each year</i>	2016: 0.15% 2017: 0% 2018: 0%

Indicator 2 (mandatory):

Estimated overall amount at risk for the year for the entire budget under the DGs responsibility.

Rf. to indicator 1 above

Source: internal

Baseline	Target 2016-2020 (annual target)	Latest known results as per AAR
2015: judged to be close to € 0	<i>Below materiality threshold of 2% each year</i>	2016: Target reached (€0) 2017: €0 2018: €0

Indicator 3 (mandatory):

Estimated future corrections

Source: internal

Baseline	Target	Latest known results as per AAR

⁴ For the definition, see the first annex to the AAR instructions 2014 "Key definitions for determining amounts at risk" at <https://myintracomm.ec.europa.eu/budgweb/EN/rep/aar/Documents/aar-standing-instructions.pdf>.

2015: €0	Given the target on the amounts at risk, no corrections are likely to be made ex-post. However, if needed, IAS is determined to ensure full recovery of undue amounts paid out.	2016: €0 2017: €0 2018: €0
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Objective 2 (mandatory):

Effective and reliable internal control system in line with sound financial management.

Indicator 1 (mandatory):

Conclusion reached on cost effectiveness of controls

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

Baseline: 2014	Target 2016-2020: (annual target)	Latest known results as per Annual Activity Report
Yes (0.25 AST FTE)	No more than 0.25 AST FTE	2016: Yes - Target reached (0.25 AST FTE) 2017: Yes - Target reached (0.25 AST FTE) 2018: Yes - Target reached (0.25 AST FTE)

Indicator 2:

Conclusion reached on reliability, effectiveness of controls within the IAS

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

Baseline (2015) Errors identified as a percentage of total mission costs = 0.1%	Target 2016-2020; (annual target) Below materiality threshold of 2% each year	Latest known results as per Annual Activity Report 2016: Target reached 2017: Target reached 2018: Target reached
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Overview of the main outputs in 2018

Effective and reliable internal control system giving the necessary guarantees concerning the legality and the regularity of the underlying transactions

<i>Description</i>	<i>Indicator</i>	<i>Target</i>	Latest known results (situation on 31/12/2018)
Ex-post controls on missions	Error rate	Below 2% materiality threshold	0% (target reached)

Effective and reliable internal control system in line with sound financial management

<i>Description</i>	<i>Indicator</i>	<i>Target</i>	Latest known results (situation on 31/12/2018)
Errors identified in mission costs	Errors identified as a percentage of total mission costs	Below 2% materiality threshold by end of 2018	0% (target reached)

Objective 3 (mandatory):

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

Indicator 1 (mandatory)

Implementation of the action plan stemming from the updated 2017-2019 anti-fraud strategy of DG IAS, elaborated on the basis of the methodology provided by OLAF⁵

⁵ The methodology can be found on the FPDNet website: <https://myintracomm.ec.europa.eu/serv/en/fraud-prevention/ToolBox/Documents/Methodology%20and%20guidance%20for%20DGs%20anti-fraud%20strategies.pdf>. In particular

Source: information available in DG's AFS			
Baseline: period 2014-2016	Interim Milestone (2016-2017)	Target by 2020	Latest known results as per Annual Activity Report
IAS Anti-fraud strategy released on 20 January 2014	100% Implementation of actions planned for each year in the anti-fraud strategy (low fraud risk profile)	Keeping in place adequate controls (low fraud risk profile)	Updated AFS 2017-19 ⁶ Target met

Overview of the main outputs in 2018

Minimisation of the risk of fraud through application of effective anti-fraud measures, integrated in all activities of the DG, based on the DG's anti-fraud strategy (AFS) aimed at the prevention, detection and reparation of fraud.			
Description	Indicator	Target	Latest known results (situation on 31/12/2018)
Implementation of the anti-fraud strategy as planned for 2018	% of implementation of actions planned for 2018 in the anti-fraud strategy	100%	100% (delivered in time)

Better regulation

(N/A)

Information management aspects

Objective (mandatory): Information and knowledge in your DG is shared and reusable by other DGs. Important documents are registered, filed and retrievable		
Indicator 1 (mandatory): Percentage of registered documents that are not filed ⁷ (ratio) Source: <i>Hermes-Ares-Nomcom (HAN)</i> ⁸ statistics – data to be provided by DG DIGIT		
Baseline	Target 2016-2020	Latest known results as per Annual Activity Report
2015: 1.2% (3.51% at Commission level)	< 1% ⁹	2016: 0.33% (2.09% at Commission level) 2017: 0.36% (1.20% at Commission level) 2018: 0.26% (1.23% at Commission level)
Indicator 2 (mandatory): Percentage of HAN files readable/accessible by all units in the IAS Source: <i>HAN statistics</i> - data to be provided by DG DIGIT		
Baseline	Target 2016-2020	Latest known results as per Annual Activity Report
2015: 85.1%	85% ¹⁰	2016: 88.95% (71.76% at Commission level)

paragraph 3 of the methodology is relevant.

⁶ Circulated to IAS staff on 19/12/2016 - Ares(2016)7038376.

⁷ Each registered document must be filed in at least one official file of the Chef de file, as required by the e-Domec policy rules (and by ICF principle 13 of Part IV). The indicator is to be measured via reporting tools available in Ares.

⁸ Suite of tools designed to implement the e-Domec policy rules.

⁹ 1% is an ambitious target. In any case, 0% is not feasible because there is always a turnover of registers waiting for the opening of files.

(77.88% at Commission level)		2017: 90.61% 2018: 91.04%
Indicator 3 (mandatory): Percentage of HAN files shared with other DGs N/A: Given the restrictive nature of the IAS work, the IAS does not share files with other DGs. Occasionally, there might be an exception (see baseline). Source: <i>HAN statistics</i> - data to be provided by DG DIGIT		
Baseline	Target 2016-2020	Latest known results as per Annual Activity Report
2015: 0.05% (represents 1 file) 6.25% at Commission level	0% ¹¹	2016: 0.04% (7.62% at Commission level) 2017: 0.04% 2018: 0.04% (corresponds to 1 file)
NEW - Indicator 4: Rate of errors detected in documentation and registration Source: <i>HAN statistics</i> - data to be provided by DG DIGIT		
Baseline	Target 2016-2020	Latest known results as per Annual Activity Report
2015: 18%	NEW	2016: 15% 2017: 11% 2018: 7%

Indicator 4 (IAS specific): Finalisation of the timely implementation of new IT audit tool (Continuous development of the audit management tool) Source: internal			
Baseline	Interim Milestone	Target 2020	Latest known results as per Annual Activity Report
2017 New indicator	Tool operational in October 2016 Target 2018: Completion of customisation of TeamMate modules: TeamRisk, TeamSchedule and TeamCentral reporting	N/A	Delivered on time. Customisation completed. Further adjustments to the existing reports and a number of new reports have been delivered by the vendor.
Indicator 5 (IAS specific): Knowledge management system: identification of potential software tools Source: internal			
Baseline	Interim Milestone	Target 2020	Latest known results as per Annual Activity Report
New indicator	Results by Q4 2016 Target 2018: Implementation of knowledge management initiatives	N/A	Delivered on time. Were put into practice: MyIntracomm collaborative sites for audit permanent files, and collaborative workspaces in several audit units.

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

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

Overview of the main outputs in 2018

<i>Description</i>	<i>Indicator</i>	<i>Target</i>	<i>Latest known results (situation on 31/12/2018)</i>
2017 Annual report on document management	Timely delivery	2017 report on 23/03/2018	Target met
Staff trained on the use of TeamMate.	No of participants Timely delivery	All auditors	Target met already in 2017, as all auditors have been trained in due time. By the end of 2018, 36 newcomers have been trained in the core module (the use of other modules are explained in the user guides). Auditors were briefed in November 2018 on the use of the Risk Assessment module in the context of the Strategic Audit Plan 2019-21.
Knowledge management initiative	Several solutions put into practices in the course of 2018	December 2018	Target met. e.g. use of MyIntracomm sites for storing and sharing information about auditees (permanent files), and collaborative workspaces in several audit units.

External communication activities

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

ANNEX 3: Draft annual accounts and financial reports

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

The attached Annex 3 is therefore almost empty (see attached document) since it takes into account the Commitment and Payment Authorising DG. i.e. for a fund management centre 'DGA:DGB', DGB is the managing and reporting DG (extract from the AAR Annex 3 user's guide).

Fund Management Center	Fund Source	Direct L2 Accepted Amount (Euro)	Direct L2 Consumption Amount (Euro)	Outstanding Direct L2 Open Amount - RAL (Euro)
IAS>DIGIT	C1	126.951,06	-99.367,56	27.583,50
IAS>DIGIT	C8	212.036,73	-159.084,60	52.952,13
IAS>HR	C1	525.604,00	-380.045,43	145.558,57
IAS>HR	C5	6.269,90	-6.104,00	165,90
IAS>HR	C8	176.054,02	-115.880,91	60.173,11
IAS>HR	C9	0,00	0,00	0,00
	Sum:	1.046.915,71	-760.482,50	286.433,21

The only figure reported in Annex 3 concerns the C4 appropriations. This probably due to the fact that the C4 appropriations were not consumed unlike the C1, C5 and C8. (see table below) and are therefore linked to IAS Fund Management Centre and not DIGIT or HR.

Annex 3 - final 2018



IAS_AAR2018_DG_a
nnex3-Final.pdf

ANNEX 4: Materiality criteria

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

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

Qualitative assessment

- Non achievement of an important objective/obligation

Quantitative assessment

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

Assessment of reputational events

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

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

ANNEX 5: Relevant Control System(s) for budget implementation (RCSs)

Mission expenses

Main control objectives: To ensure compliance of the mission expenses with the Commission's Guide to missions and IAS specific guidance¹².

As in the past, the IAS executed its own controls to ensure compliance of the mission expenses with the Commission's Guide to missions and IAS specific guidance.

Therefore, all mission requests and cost-claims are ex-ante controlled by the verifying officer. In addition, a risk-based sample of reimbursements is controlled ex-post by a colleague reporting directly to the Director General. The ex-post control activity revealed no material errors thus indicating an effective ex-ante control.

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

Main risks	Mitigating controls	Coverage, frequency and depth	Indicators • Effectiveness • Efficiency • Economy
The mission expenses will not be in compliance with rules and guidelines and/or not be cost-effective.	Ex-ante validation of the opportunity of the mission (justification, location, number of staff, duration, etc.)	100% ex-ante validation by the direct superior and AOD	<p>Effectiveness (1) number/% of missions modified as a consequence of the validation by the direct superior (should be above "0" otherwise the control might be exaggerated - not cost-effective) (2) number/% of missions rejected for correction by the ex-ante verifier because of an "unsatisfactory justification" after having been validated for this aspect by the direct superior (should be very low, otherwise the control by the direct superior is not effective).</p> <p>Efficiency (1) time to approve (2) number of complaints.</p> <p>Economy = estimation of cost of staff involved + ratio between costs and the total amount spent on missions</p>
	Ex-ante verification of the travel orders and claims for reimbursement	100% ex-ante control by the verifying officer	<p>Effectiveness (1) ineligible amounts identified by ex-ante control (2) number/% of cases of irregularity or divergence from best practice identified and corrected (3) number/% of complaints (from travellers and PMO)</p> <p>Efficiency (1) Time to approve and Time to pay</p>

¹² 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.

Main risks	Mitigating controls	Coverage, frequency and depth	Indicators <ul style="list-style-type: none"> • Effectiveness • Efficiency • Economy
			respect limits (2) number/% of complaints (3) number/% of missions rescheduled because of missed deadlines in ex-ante approval). Economy = estimation of cost of staff involved + ratio between cost of staff and total amount spent on missions reputational damage.
	Independent ex-post control	Ex-post control of representative sample of expenses (7.6%) by the resources team	Effectiveness (1) ineligible amounts identified by ex-post control (2) number/% of cases rejected/returned for correction by PMO (3) number/% of irregularities or divergence from best practice identified Efficiency Timeliness of the ex-post controls. Economy = estimation of cost of staff involved + ratio between cost of staff and total amount spent on missions Benefits (1) Qualitative assessment of the preventive effect (2) Qualitative assessment of the avoidance of reputational damage.
	Exception reporting	See ex-ante verification and ex-post control	Cost = estimation of cost of staff involved Benefits = Qualitative assessment of the value of transparent reporting of exceptions and its learning effect.

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

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

ANNEX 8: Decentralised agencies (not applicable)

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

There were no evaluations or studies planned by the IAS in 2018.

**ANNEX 10:
Management"**

Specific annexes related to "Financial

Table Y Overview of the estimated cost of controls at Commission (EC) level:

IAS Mission Expenditure - Control System ¹³							
Ex ante controls			Ex post controls			Total	
EC total costs (in EUR)	funds managed (in EUR)	Ratio (%): Total ex ante control cost in EUR ÷ funds managed in EUR	EC total costs (in EUR)	total value verified and/or audited (in EUR)	Ratio (%): Total ex post control cost in EUR ÷ total value verified and/or audited in EUR	EC total estimated cost of controls (in EUR)	Ratio (%): Total cost of controls ÷ funds managed
€20,544/year (24% of AST FTE)	€283,073.09	7,26%	€856/year (1% of AST FTE)	€18,078.84	4,73%	€21,400	7,6%

¹³ These are the IAS-internal costs of control relating to mission expenditure; more costs are made by PMO when processing the IAS mission orders and mission expense declarations.

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

ANNEX 12: Internal Audit in 2018 (performance tables)

This annex is the annex of sections 1.1.1 "Contribution to the general objective of the Commission"

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

General objective No 11		
To help achieve the overall political objectives, the Commission will effectively and efficiently manage and safeguard assets and resources, and attract and develop the best talents.		
Impact indicator (N°36):		
Trust in the European Commission		
Source of the data: Standard Eurobarometer on Public Opinion in the European Union		
Baseline	Target (2020)	Latest known value
Spring 2015: 40% tend to trust (EB 83)	Increase	Spring 2016: 37% tend to trust (EB 85) Spring 2017: 41% tend to trust (EB 87) Autumn 2018: 43% tend to trust (EB90)
Impact indicator (N°37):		
Staff engagement index in the Commission		
Source of the data: European Commission		
Baseline	Target (2020)	Latest known value
2014: 65.3%	Increase	2016: Commission: 64.3% - IAS: 68% 2018: Commission: 69% - IAS: 75%

This Commission's general objective can be broken down into three **specific IAS operational objectives**¹⁴ as described below.

Specific objective 1.1		
To ensure that the work of the IAS adds value to the Commission services and EU Agencies and other autonomous bodies and contributes to the improvement of their operations (external dimension).		
Result indicator 1.1:		
Level of satisfaction of stakeholders		
(APC/Management Boards and Directors-General/Directors of autonomous bodies)		
Results of the annual satisfaction survey to show a minimum level of satisfaction		
Source of the data: 2017 IAS annual Stakeholder Survey		
Baseline 2015	Target 2016 – 2020 (Annual target)	Latest known results (situation on 31/12/2018)
Commission stakeholders: 88% ¹⁵	Commission stakeholders: minimum 90%	Commission stakeholders: 2016: 87.5%

¹⁴ The 2015 Management Plan was structured in accordance with the ABB-activity structure of the IAS in 2014. The introduction of these three specific objectives resulted from the preparation of the 2016-20 Strategic Plan and the 2016 Management Plan.

¹⁵ This calculation is based on the average level of satisfaction of: (1) APC PG members and (2) Commission DGs and Directors of Executive Agencies, in respect of the following two statements (a) IAS covering the mains risks and processes and (b) IAS work adding value.

		2017: 96.5% 2018: 98.85%
EU autonomous bodies stakeholders: 91% ¹⁶	EU autonomous bodies stakeholders: minimum 90%	EU autonomous bodies stakeholders: 2016: 92.66% 2017: 94.25% 2018: 94.88%
Result indicator 1.2: Level of auditee satisfaction Source: Satisfaction survey addressed to the audited services in the Commission and the Executive Agencies and EU autonomous bodies after each engagement.		
Baseline	Target 2016-2020 Annual target	Latest known results (situation on 31/12/2018)
Average score of 1.5 on a scale from 1 (strong agreement) to 4 (strong disagreement)	Average score of 1.5 Commission and the Executive Agencies	Average score of 2016: 1.5 2017: 1.53 2018: 1.62
Average score of 1.5 on a scale from 1 (strong agreement) to 4 (strong disagreement)	Average score of 1.5 EU autonomous bodies	Average score of NEW - 2018: 1.59
EU autonomous bodies stakeholders: Until 2017 Directorate A had only used an annual auditee satisfaction survey. As from 2018, for engagements started under the new audit software, TeamMate, a survey was launched after each assignment.		
Output indicator 1.3 (effectiveness): Timely delivery of IAS overall opinion on financial management in the Commission Source: Regular IAS internal monitoring.		
Baseline Target met (2015)	Target 2016-2020 Annual target: By 15 May of year n+1	Latest known results (situation on 31/12/2018) Delivered on time
Output indicator 1.4 (effectiveness): Timely delivery of IAS conclusion on the state of internal control as a contribution to the preparation to the AARs of DGs/Services/Executive Agencies Source: Regular IAS internal monitoring.		
Baseline New indicator	Target 2016-2020 Annual target By 15 February of year n+1	Latest known results (situation on 31/12/2018) Delivered on time

Overview of the main outputs in 2018

Internal audit of the Commission and the Executive Agencies, and EU Agencies and other autonomous bodies			
Description	Indicator	Target	Latest known results (31/12/2018)

¹⁶ This calculation is based on the average level of satisfaction of: (1) Board members of the EU autonomous bodies and (2) Directors of the EU autonomous bodies, in respect of the following two statements (a) IAS covering the mains risks and processes and (b) IAS work adding value.

Stakeholder satisfaction survey Commission and the Executive Agencies	Level of satisfaction	90% (2018)	Target reached
Stakeholder satisfaction survey EU Agencies and other autonomous bodies	Level of satisfaction	90%	Target reached
Limited assurance conclusion on the state of control as a contribution to the preparation of the 2017 AARs (Commission and the Executive Agencies)	Conclusions issued	15 February 2018	Delivered on time
Overall Opinion on the financial management of the European Commission for the year 2017 (Commission and the Executive Agencies)	Opinion issued	25 May 2018	Delivered on time

Specific objective 1.2

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

Result indicator 2.1 (effectiveness):

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

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

Baseline IQA of 2015 No non-conformance issues raised	Target 2016-2020 Yearly target No non-conformance issues raised	Latest known results as per Annual Activity Report (2018 IQA) No non-conformance issues raised
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Result indicator 2.2 (effectiveness):

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

Source: Report of the independent External Quality Assessor

Baseline (EQAs of 2011 and 2013 ¹⁷) No non-conformance issues raised	Target 2016-2020 - periodical target (at least every five years): No non-conformance issues raised	Latest known results as per Annual Activity Report (2016 EQA – VALID FOR 5 YEARS) No non-conformance issues raised
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Overview of the main outputs in 2018

Internal audit of the Commission and the Executive Agencies, and EU Agencies and other autonomous bodies

Description	Indicator	Target	Latest known results (situation on 31/12/2018)
Internal Quality Assessment (yearly)	Generally conforms	December 2018	IQA 2018 completed March 2019 Generally conforms, no issues of non-conformance
External Quality Assessment	Generally	December 2016	Generally conforms,

¹⁷ For audits in the decentralised agencies and other autonomous bodies, the previous EQA was carried out in 2011, while for the audits in the Commission and Executive Agencies, the previous EQA was carried out in 2013.

(valid for 5 years)	conforms	(next EQA 2021)	no issues of non-conformance
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Specific objective 1.3

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

Output indicator 3.1 (effectiveness):

Completion rate of the annual audit plan

Source: Regular IAS internal monitoring.

Baseline 2015	Target 2016-2020	Latest known results (situation on 31/12/2018)
100%	Each year, completion of 100 % of C1 engagements (i.e. engagements to be completed during the year) included in the (revised) audit plans in both Commission and EU autonomous bodies	<u>Commission:</u> 2016: 100% 2017: 98% ¹⁸ 2018: 100% <u>EU bodies:</u> 2016: 100% 2017: 100% 2018: 100%

Engagements in the Commission and Executive Agencies finalised in 2018

No	Entity	Topic	Type
1	AGRI	Audit on implementation of payments and corrections in DG AGRI (shared management)	comprehensive audit
2	AGRI	Limited review on validation and adjustment of the reported errors rates by DG AGRI	limited review
3	AGRI	Audit on Evaluation process in DG AGRI	comprehensive audit
4	AGRI	IPARD II in DG AGRI	comprehensive audit
5	BUDG	Audit on Effectiveness and efficiency of the new Early detection and exclusion system (EDES) in protecting the EU financial interests in DG BUDG	comprehensive audit
6	CONNECT	Audit on H2020 ex-ante controls on payments in DG CONNECT	comprehensive audit
7	CONNECT	CEF (Connecting Europe Facility) implementation (multi-DG)	comprehensive audit
8	DEVCO	Audit on IT Governance at DG DEVCO	IT audit
9	DEVCO	Assurance Building Process in HQ	performance audit
10	EAC	Audit in DG EAC on ex post financial audits, independent audit bodies' opinions and controls on grant proposal evaluation for Erasmus+ actions implemented by National Agencies	comprehensive audit
11	EACEA	Erasmus + and creative Europe : audit on grant management Phase II (from project management to payment)	comprehensive audit
12	ECFIN	Consulting engagement on document management	consulting
13	ENER	Legacy programmes in DG ENER - management of final payments and closure	financial/compliance audit
14	ERCEA	H2020 Grant management (phase II) in ERCEA	comprehensive audit
15	ESTAT	Audit on Financial management of grants in ESTAT	financial/compliance audit
16	ESTAT	Effectiveness of ESTAT's coordination with external stakeholders	performance audit
17	FISMA	Effectiveness and efficiency of DG FISMA's performance management system	performance audit
18	FPI	Audit on Partnership Instrument in FPI	comprehensive audit
19	GROW	The Adequacy of DG GROW's preparation and supervision of the parts of the COSME work programmes delegated to EASME	comprehensive audit
20	GROW	Supervision of project management and payment for Galileo in DG GROW	financial/compliance audit

¹⁸ One management letter was postponed to 2018 (see section 1.1.4).

No	Entity	Topic	Type
21	GROW	Supervision of the Implementation of the Copernicus programme in DG GROW - Phase 2: management of the cooperation and coordination	comprehensive audit
22	HOME	Audit on risk management on DG HOME	comprehensive audit
23	HOME	Monitoring the implementation and performance of 2014-20 NPs by DG HOME	comprehensive audit
24	INEA	Grants management phase 2: project management and payments for H2020 in INEA	comprehensive audit
25	JRC	Nuclear Decommissioning and Waste Management Programme (NDWMP) implementation in DG JRC	comprehensive audit
26	JRC	HR management - recruitment of scientists	performance audit
27	JUST	Audit on risk management on DG JUST	comprehensive audit
28	JUST	Procurement in DG JUST	financial/compliance audit
29	MARE	Audit on closure of the 2007-2013 EFF OPs in DG MARE	comprehensive audit
30	MULTI-DGs	Audit Business Continuity	performance audit
31	MULTI-DGs	LIFE financial instruments: effectiveness and efficiency of the current framework (ENV+CLIMA)	comprehensive audit
32	MULTI-DGs	Audit on evaluation process in DGs REGIO and EMPL	comprehensive audit
33	MULTI-DGs	Review of the annual assurance packages by DGs REGIO, EMPL and MARE	comprehensive audit
34	MULTI-DGs	State of play regarding the 'Synergies and efficiencies review'	comprehensive audit
35	MULTI-DGs	Limited review on the reporting on the corrective capacity	limited review
36	MULTI-DGs	Dissemination of H2020 results	performance audit
37	MULTI-DGs	Consolidated report on H2020 Grant management	performance audit
38	MULTI-DGs	Audit on EC-EEAS coordination	performance audit
39	MULTI-DGs	Intellectual Property Rights (IPR) supporting activities	performance audit
40	NEAR	Neighbourhood Investment Facility & Western Balkans Investment Facility in DG NEAR	comprehensive audit
41	NEAR	Grants and procurement award process under ENI direct management	comprehensive audit
42	PMO	Consulting engagement on accounting for JSIS direct billing in PMO	consulting
43	PMO	Control strategy in PMO	comprehensive audit
44	REA	H2020 Grant Management (phase II - Project Monitoring and Ex ante controls) in REA	comprehensive audit
45	REA	REA's preparedness to deliver SEDIA-related services	comprehensive audit
46	REGIO	Audit on IT Project management in DG REGIO	performance audit
47	RTD	IT Security management	IT audit
48	RTD	Audit on H2020 Ex-ante controls on payments in DG RTD	comprehensive audit
49	SANTE	Audit on TRACES in DG SANTE	performance audit
50	SANTE	Audit on monitoring and enforcement of EU health law in DG SANTE	performance audit
51	TAXUD	Management of legislative initiatives in DG TAXUD	performance audit
52	TRADE	Financial Management of procurement contracts and grants in DG TRADE	financial/compliance audit

Engagements in the decentralised EU Agencies and other autonomous bodies finalised in 2018

No	Entity	Topic	Type
1	ACER	Information Security	IT Audit
2	BBI JU	Implementation of Internal Control Framework	Limited Review
3	BEREC	Planning, budgeting, monitoring of activities & reporting	Comprehensive Audit
4	CEDEFOP	Human Resources Management & Ethics	Comprehensive Audit
5	CLEANSKY JU	CSC Coordination	Performance Audit
6	EASA	Strategic Risk Assessment incl. IT	Risk assessment
7	EASO	Strategic Risk Assessment (including IT)	Risk Assessment
8	EBA	Single Rulebook - Q&A	Performance Audit
9	ECHA	Conflict of Interest	Comprehensive Audit
10	ECSEL JU	CSC Coordination	Performance Audit
11	EDPS	Consulting on EDPB Secretariat	Consulting
12	EEAS	Joint Audit (with C) on the coordination between the Commission and the EEAS in Delegations and HQ	Performance audit
13	EFCA	Planning & Budgeting	Comprehensive Audit

No	Entity	Topic	Type
14	EFSA	Human Resources Management & Ethics	Comprehensive Audit
15	EIGE	Strategic Risk Assessment (including IT)	Risk Assessment
16	EIOPA	Stress Tests	Comprehensive Audit
17	EIT	Ex-ante verification of payments to KICs	Compliance audit
18	EMA	Signal Management	Performance Audit
19	EMSA	Visits & Inspections (with a focus on the Quality Management System)	Comprehensive Audit
20	ENISA	Stakeholders' Involvement in the Production of the Deliverables	Comprehensive Audit
21	ERA	Programme, Project and Service Management including IT	Comprehensive Audit
22	ESMA	Revenues and Activity Based Management	Comprehensive Audit
23	EU-LISA	Strategic Risk Assessment (including IT)	Risk Assessment
24	EU-OSHA	Healthy Workplaces Campaigns and IT Support	Comprehensive Audit
25	EUROFOUND	Prioritization of activities and allocation of resources (HR and financial)	Comprehensive Audit
26	EUROJUST	Strategic Risk Assessment (including IT)	Risk Assessment
27	EUROPOL	Human Resources Management & Ethics	Comprehensive Audit
28	EU-SCHOOLS	Review / consulting on extra-budgetary accounts	Review
29	EU-SCHOOLS	Strategic Risk Assessment (including IT)	Risk Assessment
30	F4E	Strategic Risk Assessment (including IT)	Risk Assessment
31	FRONTEX	Contract Management	Comprehensive audit
32	GSA	IT Governance	IT Audit
33	IMI JU	CSC Coordination	Performance Audit
34	SESAR JU	CSC Coordination	Performance Audit
35	SHIFT2RAIL JU	Implementation of Internal Control Framework	Limited Review

Result indicator 3.2 (efficiency):

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

Source: Regular IAS internal monitoring.

Baseline (31/12/2015)	Target 2016-2020	Latest known results (situation on 31/12/2018)
<u>Commission</u> : 87% <u>EU bodies</u> : 86%	Annual target: 86%	2016: Commission: 86%; EU bodies: 87% 2017: Commission: 86%; EU bodies: 84% 2018: Commission: 83.7%; EU bodies: 87%

Output indicator 3.3 (efficiency):

Timeliness of the completion and the delivery of audit reports

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

Source: Regular IAS internal monitoring.

Baseline (31/12/2015)	Target 2016-2020 ¹⁹	Latest known results (situation on 31/12/2018)
<u>Commission</u> : 35 days for engagements with one auditee 40 days for engagements with multiple auditees	Annual target: 30 days for engagements with one auditee 35 days for engagements with multiple auditees	<u>2016</u> : 33 days for engagements with one auditee 38 days for engagements with multiple auditees <u>2017</u> : 35.53 days for engagements with one auditee 40.56 days for engagements with multiple auditees <u>2018</u> : 38.32 days for engagements with one auditee 45.10 days for engagements with multiple auditees

¹⁹ Following the centralisation of the internal audit function on 1 January 2015, the IAS was re-organised leading to new working practices, in particular for the quality review of audit deliverables. The new target now reflects the additional time spent on this specific task.

Baseline (31/12/2015) <u>EU Bodies:</u> 32 days	Target 2016-2020²⁰ Annual target: 30 days for engagements with one auditee	Latest known results (situation on 31/12/2018) 2016: 37 days 2017: 32 days 2018: 37 days
Output indicator 3.4 (efficiency): Difference between actual time and budgeted time for each audit engagement. Source: Regular IAS internal monitoring.		
Baseline (31/12/2015) <u>Commission:</u> 5% <u>EU Bodies:</u> 6%	Target 2016-2020 Annual target: Actual execution within the margin of ±10% of budgeted number of man-days (+ indicating an overrun and – indicating an underrun)	Latest known results (situation on 31/12/2018) <u>2016:</u> Commission: +1% EU Bodies: +6% <u>2017:</u> Commission: +10% EU Bodies: +1% <u>2018:</u> Commission: +15% EU Bodies: -11%
State of play at 31 January 2019 <ul style="list-style-type: none"> Commission: +15%, slightly outside the target values. EU autonomous bodies: -11%, almost within the target values. 		

Overview of the main outputs in 2018

Internal audit of the Commission and the Executive Agencies			
<i>Description</i>	<i>Indicator</i>	<i>Target</i>	<i>Latest known results</i> (situation on 31/12/2018)
Updated Audit Plan for 2018 (Strategic Audit Plan 2016-2018)	Timely finalisation	February 2018	Delivered on time
Audit, consulting and follow-up engagements reports planned for 2018	Completion of the 2018 Audit Plan	January 2018	Delivered on time
Overview Reports / Information notes on the follow-up of the IAS recommendations issued to APC throughout 2018	Reports finalised and transmitted to APC (four in total)	March 2018 June 2018 July 2018 November 2018	Delivered on time
2017 Annual Report of the Internal Auditor Art 118(4) [ex-99(3)] of the FR	Report issued	May 2018	Delivered on time
Internal audit of the EU autonomous bodies			
Strategic Internal Audit Plans (SIAPs) to be prepared for those entities where the previous strategic audit plan is completed or has become obsolete	Timely preparation	January 2019	Delivered on time

²⁰ Following the centralisation of the internal audit function on 1 January 2015, the IAS was re-organised leading to new working practices, in particular for the quality review of audit deliverables. The new target now reflects the additional time spent on this specific task.

Audit, consulting reports and follow-up engagements planned for 2018	Completion of the 2018 Audit Plan	January 2019	Delivered on time
Reports on the status of open critical or significantly delayed very important IAS recommendations issued to Agency Directors and management Boards in case their agency has such recommendations	Reports/ Notes finalised and transmitted to Directors and Management Boards	March 2018	Target met for 6 out of 9 reports. (Three reports issued by the end of April 2018).