European Commission

INTERNAL AUDIT SERVICE

Limited distribution

European Schools

IAS Strategic Audit Plan 2013 – 2015

26 March 2013

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1.   EXECUTIVE SUMMARY

This document describes the audit strategy established by the Internal Audit Service (IAS) for the period of 2013 – 2015 with regard to the European schools system (hereafter called "European Schools" or abbreviated to "ES"). The Service-Level Agreement (SLA) between the Board of Governors of the European Schools and the IAS currently in force is running till 30 June 2014. In line with the usual IAS practice, this strategic audit plan covers a three-year period; it will remain valid (subject to annual updates) in case the SLA is extended beyond that date. In case the SLA expires without further extension in mid-2014, the coverage (in terms of audit topics) will be limited.

The strategy is based on the results of a risk assessment exercise carried out by the IAS in March 2012, including missions in the European schools of Brussels III and of Munich and in the Office of the Secretary General of the European schools in Brussels.

The exercise consisted of the following principal steps:

- a desk review, with the objective of defining a preliminary audit universe for to the European schools;

- interviewing on-site key staff of the European schools, in order to obtain an overview of the principal processes – either operational according to the mission of the ES or administrative to support the operational tasks – and the related key controls;

- assessing the most important risks related to these processes; and

- drafting a strategic audit plan with a short list of future audit topics.

The short list of audit topics aims at supporting the planning of the IAS audits of the European schools during the next three years i.e. 2013 – 2015 (or 2013-2014 in case the SLA is not extended beyond mid-2014). The topics may be adjusted in the future depending on the results of risk assessment updates, which the IAS performs on an annual basis.

As a rule, the annual audit plans of the IAS are coordinated with the European Court of Auditors, the external auditor of the ES, in order to avoid duplication and to minimise any overlapping between subjects and areas proposed for audits.

Results of the Risk Assessment

An overview of the ES audit universe[1] and the principles that underlie the planning of internal audits are presented in the annexes 1 and 2 respectively.

The results of the risk assessment have been summarised by means of a matrix ("ES Risk Map"). Each of the reviewed processes and sub-processes of the ES, either support or
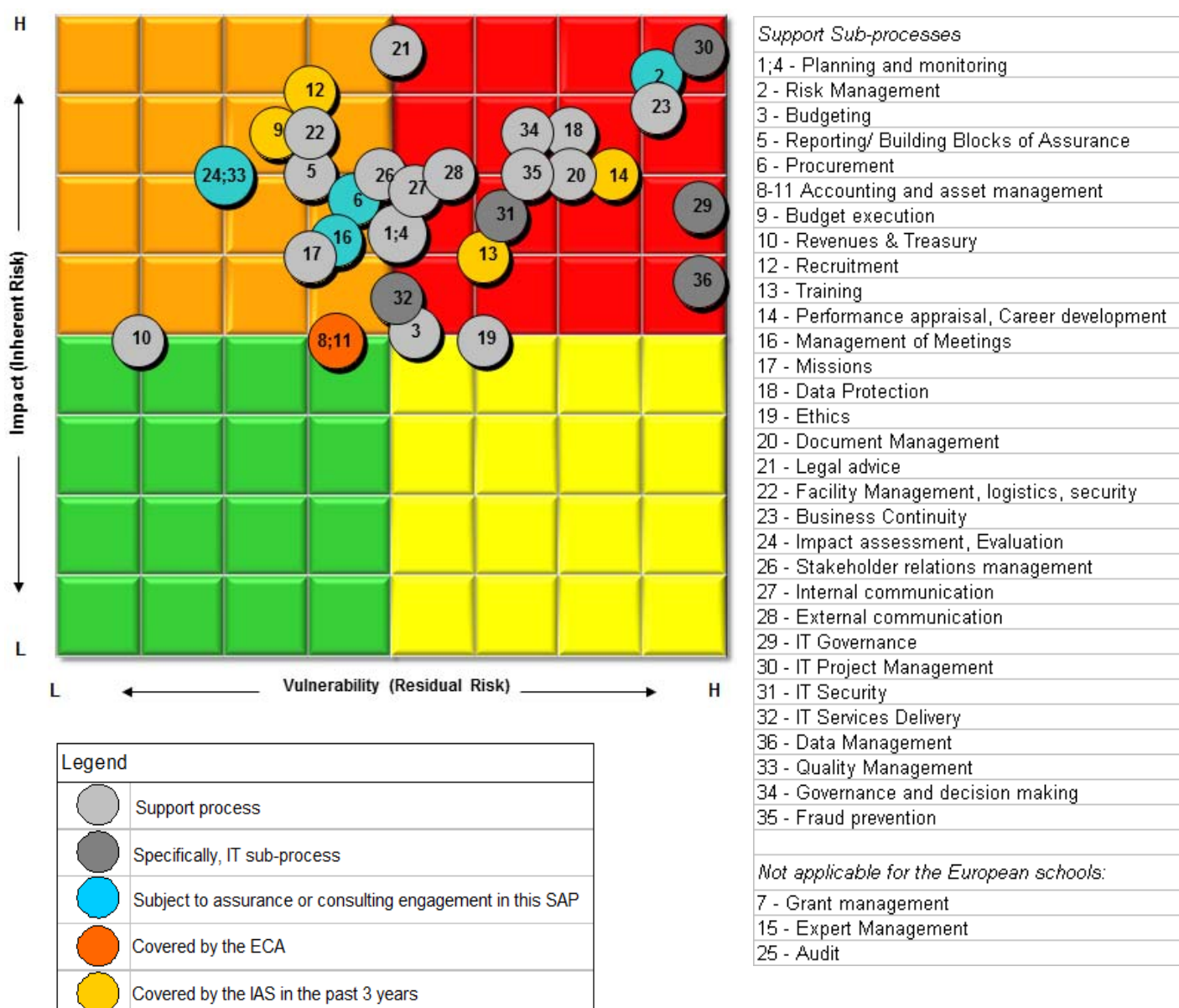
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[1] A set of administrative/support processes completed with a limited number of operational processes specific for the ES.

operational, has been positioned in the matrix according to the perceived risk – both inherent risk and residual risk that remains if/when pertinent controls are in place.
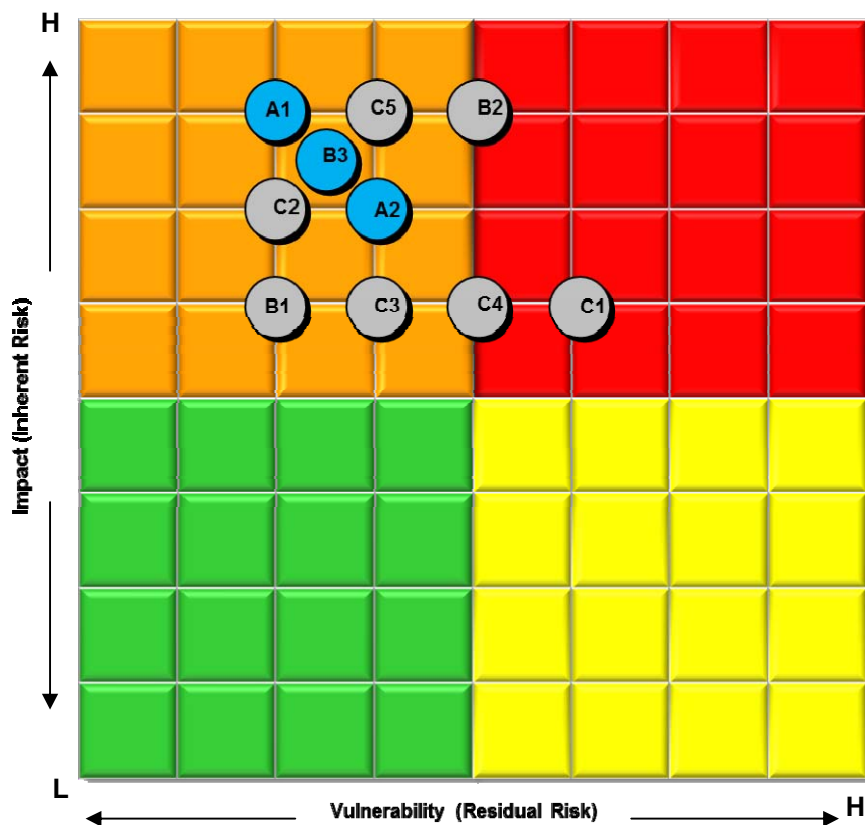
The objective of the matrix presentation is to visualise the differences between the processes regarding their respective maturity in relation to risks and related controls. A process positioned in the orange zone is perceived to be satisfactorily controlled whereas a process in the red zone still needs to be improved for more effective controls. Ultimately, the processes in the orange zone, either individually or combined with others, will constitute the likely targets for proposals for future audit topics.

European schools Risk Map for 2013 – 2015

Risk map for Support sub-processes

Support Sub-processes
1;4 - Planning and monitoring
2 - Risk Management
3 - Budgeting
5 - Reporting/ Building Blocks of Assurance
6 - Procurement
8-11 Accounting and asset management
9 - Budget execution
10 - Revenues & Treasury
12 - Recruitment
13 - Training
14 - Performance appraisal, Career development
16 - Management of Meetings
17 - Missions
18 - Data Protection
19 - Ethics
20 - Document Management
21 - Legal advice
22 - Facility Management, logistics, security
23 - Business Continuity
24 - Impact assessment, Evaluation
26 - Stakeholder relations management
27 - Internal communication
28 - External communication
29 - IT Governance
30 - IT Project Management
31 - IT Security
32 - IT Services Delivery
36 - Data Management
33 - Quality Management
34 - Governance and decision making
35 - Fraud prevention

Not applicable for the European schools:
7 - Grant management
15 - Expert Management
25 - Audit

Legend	
Support process	(light grey)
Specifically, IT sub-process	(dark grey)
Subject to assurance or consulting engagement in this SAP	(cyan)
Covered by the ECA	(orange)
Covered by the IAS in the past 3 years	(yellow)

Risk map for Operational sub-processes

Operational sub-processes
A1- Enrolment in Brussels
A2- Enrolment outside Brussels
B1- Organisation of the school year
B2- Timetabling
B3- Elaboration and update of syllabi
C1- Evaluation of pupils
C2- Discipline of pupils
C3- Transition and orientation
C4- Support (LS, SWALS, SEN, Rattrapage)
C5- European Baccalaureate

Impact (Inherent Risk)

Vulnerability (Residual Risk)

Legend	
⚫	Operational process
🔵	Operational process subject to assurance or consulting engagement in this SAP

<u>Short list of future audit topics</u>

The following table summarises the prospective topics for the IAS audits of the European schools during the coming three years, i.e. 2013 – 2015.

Prospective Audit Topics for 2013 – 2015

	2013	**Prospective audit topics 2013 - 2015**
Audit	**A.** Management and monitoring of working groups	**B.** Procurement **C.** Enrolment **D.** Whole school inspections [†] **E.** Risk management *
Follow-up		• All recommendations reported as implemented.
Risk Assessment	• Update of Strategic Audit Plan	• Annual update of the Strategic Audit Plan
Consulting	• Other topics to be defined on case-by-case basis	• Other topics to be defined on case-by-case basis

* This topic can be audited only when sufficient controls are in place, i.e. when the process moves to the 'assurance' zone following the implementation of the actions planned in 2.2.2.
[†] This topic is intended to be covered by a consulting engagement.

2. FULL REPORT

2.1. Context and process of the IAS Risk Assessment

The mandate for the IAS assignment regarding the European schools stems from the Service Level Agreement (SLA) signed by both parties in July 2007, whereby the Internal Auditor of the Commission is designated as the Internal Auditor of the European schools.

In line with the professional standards set by the Institute of Internal Auditors (IIA), the internal auditor "establishes risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals".

This document summarises the IAS audit strategy for the ES regarding the period 2013 – 2015, including a list of prospective future audit topics.

The strategy is based on the results of a risk assessment, performed by the IAS in March 2012. The assessment consisted of the following principal steps: (1) a desk review aiming at defining the European schools' audit universe, (2) on-site missions to meet the key staff members of the European schools and obtain an overview of the principal processes and related controls, (3) an assessment of the key controls in operations and administrative support, (4) drafting a strategic audit plan with a short list of future audit topics.

The results of the assessment have been summarised in a matrix ("ES Risk Map for 2013 – 2015") where each of reviewed processes has been placed according to the estimated impact/inherent risk (vertical axis) and vulnerability/residual risk (horizontal axis). The estimation of the residual risk follows consideration of the perceived effectiveness of the controls put in place by the ES to manage and mitigate the inherent risk.

The areas for future IAS audits – the audit topics for 2013 as well as the prospective audit themes for 2014 and 2015 – were identified in cooperation with the ES. Ultimately, the topics may be modified or changed depending on the results of the future risk assessment updates as well as of possible requests and expectations by the ES.

The annexes of the document describe briefly the following items:

- European schools' audit universe (Annex 1);
- basic principles of the IAS work planning (Annex 2);
- underlying objectives and methodology used to define both the "audit universe" and the Risk Assessment (Annex 2).

2.2.   Breakdown of the ES Risk Map for 2013- 2015

2.2.1.   Prospective Audit Topics

Topic A – Management and monitoring of working groups

Relevant sub-processes

(B3) Elaboration and update of syllabuses

(16) Management of meetings
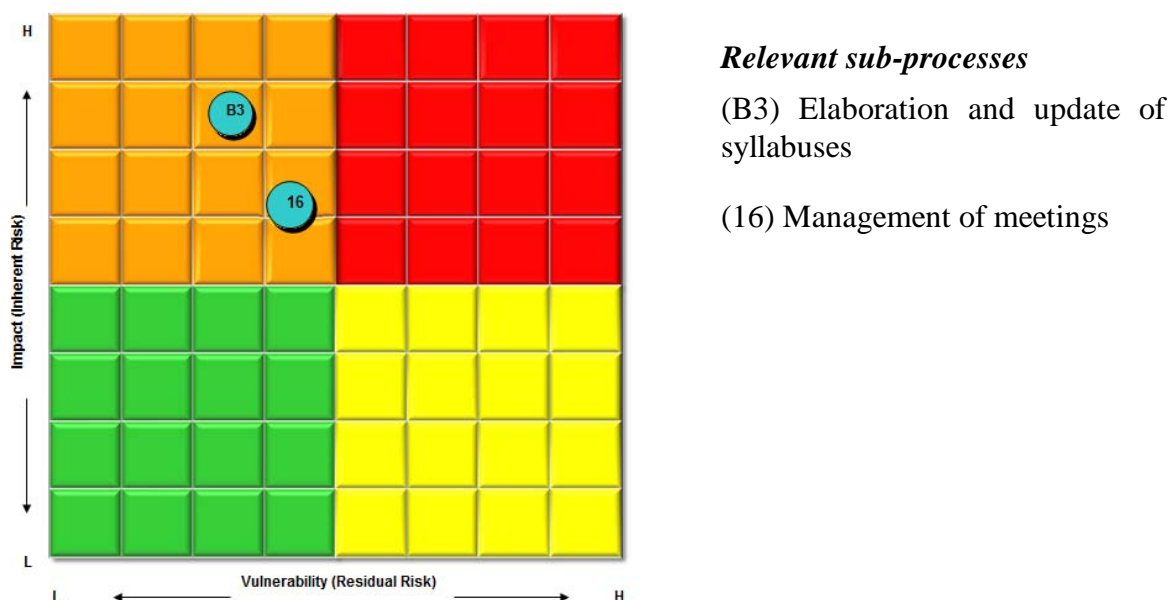
Working groups (WGs) are bodies established by the BOGES, based on proposals from the Joint Teaching Committee and/or the Board of Inspectors. They are either created to fulfil a specific objective or, in rare cases, are permanent. They can comprise any relevant staff or expert from the ES system, i.e. inspectors, directors, teachers, parents, etc. Most working groups tackle pedagogical issues, especially review and update of syllabi. A few others are working on issues where other sorts of expertise are needed (e.g. financial) in order to take decisions.

Inherent risk (IMPACT) of relevant sub-processes

Weaknesses in the management and monitoring of working groups may impact the financial resources of the European schools, but also indirectly the quality of education provided to children. Such weaknesses could be:

- Inadequate **planning**: the budget allocated to working group meetings may not be aligned with the annual needs. On the contrary, needs expressed by the working groups are unrealistic and at odds with the budgetary constraints. Either way, inconsistency between the budget and WGs' needs might result in overspending or failure to achieve the WGs' objectives.

- Lack of adequate **monitoring** of working groups may result in delivery delays, discussions outside the specific remit of the WG or late reaction to errors in planning (scope of WG not relevant any more, more urgent topics to be covered by a WG, etc.) absence of WG in an area requiring one. Beyond the waste of time and resources, this

may have adverse impact on the pedagogical activities (e.g. outdated syllabi in some subjects).

- Unclear **mission** guidelines: meeting invitations, mission approvals and claims of expenditures may not be processed in time leading to dissatisfaction of invited WG members.

Key controls

- The Office of the Secretary General has developed a planning methodology for meetings, and in particular for Working groups, which is documented in a procedure.

- The Pedagogical development unit in the OSG has put a special emphasis on the monitoring of Working groups, both in financial and operational terms: it has listed all WGs and has a view on past and upcoming meetings. For 'pedagogical' WGs, the time of the last updates of syllabi is noted. The unit strives to encourage prompt update of older-than-average syllabi.

Residual risk (VULNERABILITY)

- Responsibility and powers of the OSG might not be clear enough to effectively manage and monitor Working groups.

- The objectives, remit, milestones and deadlines for the WGs' work may be defined in unclear terms or insufficiently documented. Hence, a WG may extend its work to unreasonable limits (in terms of time and budget) or not put sufficient focus on certain areas that should be discussed.

Topic B – **Procurement**
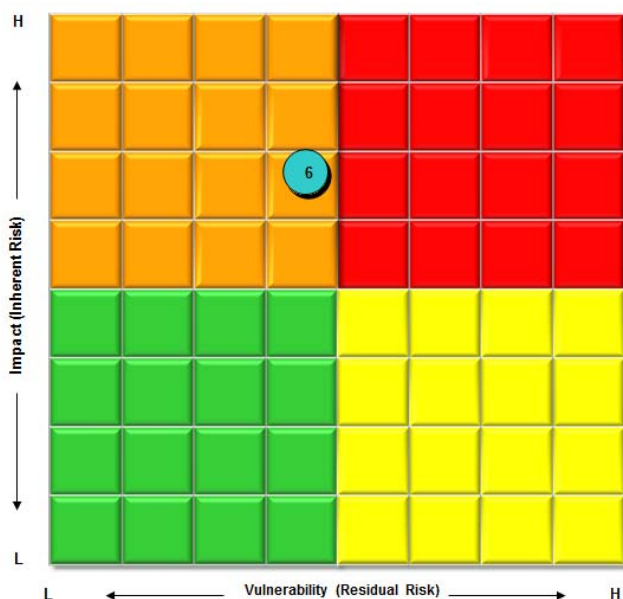
Relevant sub-processes

(6) Procurement

Inherent risk (IMPACT) of relevant sub-processes

Any weaknesses in the procurement process may expose the European schools to financial risks, especially fraud and inefficiencies, with potential budgetary and reputational impacts. More specifically, the following risks, which are inherent to procurement, might incur such consequences:

- Insufficient and/or inadequate **planning** for procurement activities may lead to procedures being launched untimely, hasty drafting of terms of reference, to unavailability of funds, and to an increased risk of non-compliance with rules and procedures due to time constraints.

- The absence of comprehensive **monitoring** tools and reporting may undermine effective supervision and management of procurement activities and adversely affect the sound financial management of budgetary funds.

- Poorly defined **procurement procedure**, **selection and award criteria**, **weightings**, and **technical specifications**, may result in a mismatch between the needs and what the procurement will deliver. It can also cause difficulties as regards the evaluation and comparison between tenders leading to operational delays and non-achievement of objectives, and waste of time and resources.

- **Conflict of interests**/**unequal treatment of tenderers**, for example via biased selection criteria or partial evaluations, may lead to litigation, penalties, adverse reputation, operational delays and non-achievement of objectives, especially if the tender has to be recommenced.

Key controls

- The Financial Regulation of the European schools details the different procurement procedures and the necessary steps and controls to follow before concluding a tender. Among these controls, members of opening and evaluation committees have to sign declarations of absence of conflict of interest. In 2009, the Office of the Secretary General drafted a memorandum on procurement in order to explicit the rules and give guidance to the schools. This memorandum was presented to all Administrative bursars in a specific training session.

- In the schools, purchases which exceed €6,000 and thus require competitive tendering, are planned ahead by the Administrative bursars, in close cooperation with the Directors and teaching staff. The bursars are in charge of monitoring the procurement procedures, the execution of contracts and their validity limit.

- In case of doubt in the application of procurement rules, schools may ask the Financial Controller for advice.

Residual risks (VULNERABILITY)

- Procurements are planned ahead, but might not be presented to the schools' stakeholders (namely, the Administrative boards). This may hamper their legitimacy and affect the schools' sound financial management.

- Unprofessional evaluations of tenders due to a lack of necessary skills, experience or suitable evaluation methodologies may lead to litigation, penalties, adverse reputation, and inefficiency and ineffectiveness in the case a low-performing contractor is selected.

- Weaknesses in the contractual provisions could leave the door open to interpretations and decisions that are to the detriment of the European schools.

Topic C – Enrolment
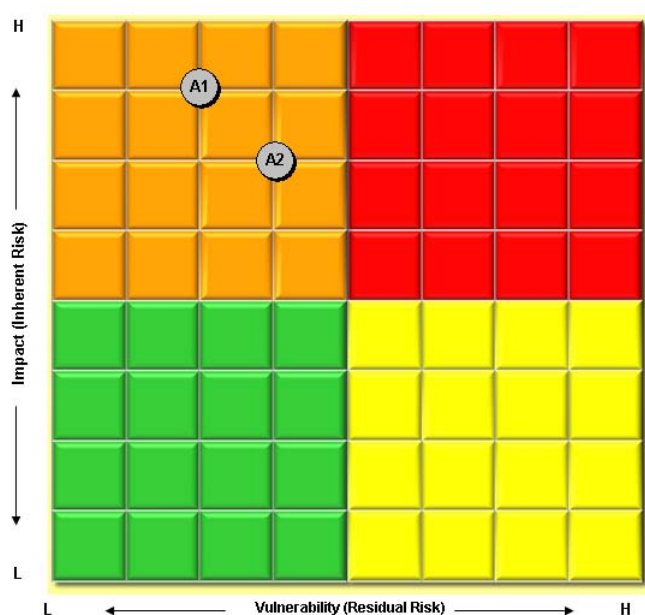
Relevant sub-processes

(A1) Enrolment in Brussels

(A2) Enrolment outside Brussels

Inherent risk (IMPACT) of the relevant sub-processes

Any weaknesses in the enrolment process may negatively impact the European schools' reputation and may expose the system to legal complaints. The following risks, if materialised, can result in such impact:

- Weaknesses in the enrolment rules, especially unclear selection/exclusion criteria, may result in inconsistent decision-taking by the Central Enrolment Authority (in Brussels) or the school (outside Brussels), thus potential **unequal treatment of enrolment requests**. This risk is increased if rules are not published or not transparent enough. Beside the reputational risk implied, this may substantially increase the resources needed to deal with larger number of appeals and complaints.

- The **enrolment process** may not be spelt out clearly, especially the main steps, milestones and decision making responsibilities, which may foster confusions and **delays** in answering enrolment requests.

- Enrolment decisions are **not documented** and kept. As a consequence, the school or the Central Enrolment Authority cannot defend the rationale behind its conclusions, especially in case of complaints.

- In more global terms, the absence of **forecasting**, especially on the capacity of the schools to cater for Category 1 and 2 pupils, might not only jeopardise the whole enrolment process, no matter how solid it is, but also deteriorate the schooling conditions and safety concerns.

Key controls

- Enrolment rules for the schools in Brussels are drafted and updated every year by the Central Enrolment Authority, and are approved by the highest authority in the

ES System, the Board of Governors. These rules detail the process and the responsibilities for decision making and for review of complaints. They are published in each school's webpage.

- Enrolment rules are applied strictly. Hence the Central Enrolment Authority follows the principle of limiting derogations. This has decreased the number of successful complaints.

- All schools should follow the enrolment principles which are set in the General rules of the European schools.

Residual risks (VULNERABILITY)

- The high number of applications, the complexity of enrolment principles and the singularity of requests increase the risk of errors in applying the rules.

- Although the ES work in cooperation with their stakeholders (mainly, the European Commission and the European Patent Office) in order to estimate the future population of children eligible for enrolment, such forecasting is made difficult due to many uncertain factors. This is particularly the case for Brussels' schools.

Topic D – Whole school inspections *(consulting engagement)*
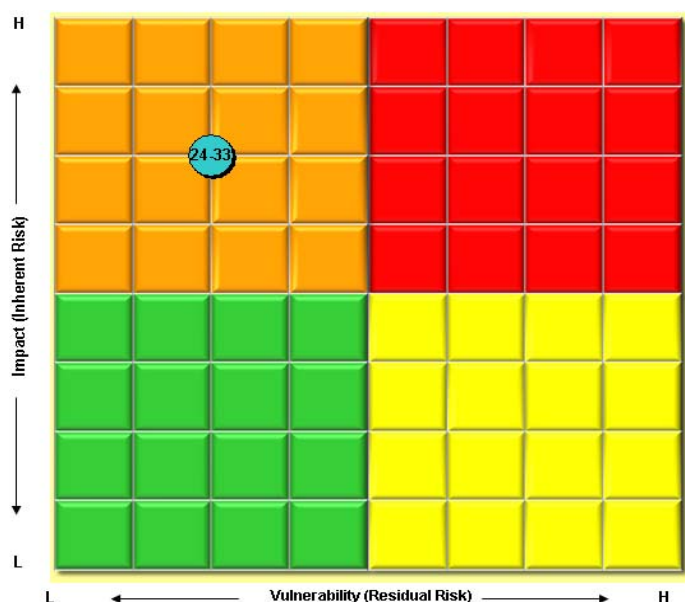
Relevant sub-processes

(24) Impact assessment, evaluation

(33) Quality management

Although not new as a concept, whole school inspections (WSI) have been re-established in 2011 by the Board of Inspectors, following the adoption of a quality assurance framework. The idea is to inspect each school as a whole, in its capacity of quality-education provider. Hence, multiple aspects of the school's life are examined, from pedagogical organisation to support for pupils.

Inherent risks (IMPACT) of relevant sub-processes

Weaknesses in the methodology used for inspections might result in the schools not being examined objectively and on an equal and systematic basis. Conclusions from WSIs may not be examined and followed up. As a consequence, the effectiveness and usefulness of WSIs might be jeopardized and inspectors may not have a fair view on the ES' pedagogical issues. This may eventually impact the overall performance of the ES and the quality of education provided, and ultimately may damage the reputation of the European Schools.

Key controls

The Board of Inspectors has developed a framework for Quality Assurance. Its aims are, first, to set the criteria that should ensure a minimum of quality in the education provided by the schools; second, to set a framework for the evaluation of pedagogical performance of the ES. Inspectors have developed a methodology which has been tested on a pilot school. It comprises of a self-evaluation by the school's management, an inspection following a pre-established program and checklists, and finally a report addressed to the school's management and to the Board of Inspectors.

Residual risk (VULNERABILITY)

Residual risks are related to the fact that these inspections and their methodology are relatively new. WSIs might be conducted in a different manner from one school to another, thus failing to provide a good overall picture of the ES system.

Topic E – **Risk management**
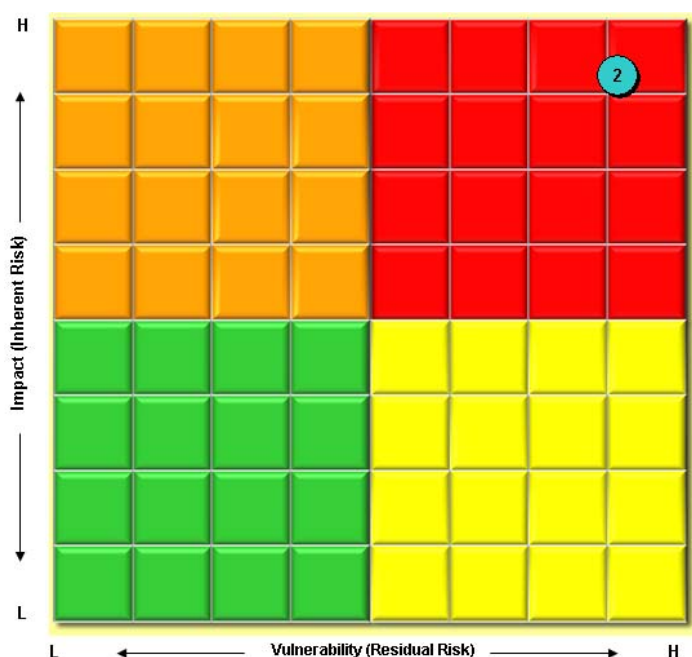
Relevant sub-processes

(2) Risk management

Inherent risk (IMPACT) of relevant sub-processes

The lack of a systematic risk assessment and management process in the European schools can lead to management not being aware of upcoming risks regarding the achievement of the system's objectives. This means that decisions taken may not be not risk-based, thus treating all issues equally and without due focus on high impact/high likelihood ones. There is a possibility that some risks may be over-controlled and or some may be completely unmitigated (e.g. because they have not been identified).

Key controls

The European schools and the Office of the Secretary General are generally aware of the risks which might affect the system. However, these risks are not clearly identified, listed, assessed (impact/likelihood) and ranked. The most prominent risks are regularly communicated by the Schools' management and the Office, and discussed in BOGES meetings. However, these are not managed in a systematic and structured manner yet in the ES system: no specific action plans have been defined on how and at which level (local or corporate) to tackle the most important risks.

Residual risk (VULNERABILITY)

Without a formalized approach for risk identification, assessment and management, the European schools may not have a proper and complete overview of the risks relevant for the system. Lack of a common notion of risks, risk assessment and management can lead to diverting appreciations of a situation.

Important Note:

The IAS can only audit this topic when the process can be moved to the "assurance" area, i.e. when the actions planned under *2.2.2. Sub-processes considered as high-risk areas and requiring further action towards improved controls* of this strategic audit plan related to the Risk Management are implemented by the European Schools.

2.2.2. *Sub-processes considered as high-risk areas and requiring further action towards improved controls*

Concerning the sub-processes that have been placed in the red quadrant of the risk map ("Enhance Risk Mitigation"), the European schools need to improve the existing controls or put in place additional ones.

Consequently, the management of the European schools, especially the Office of the Secretary General, is requested to set up action plans for the processes in the red zone. The objective is to improve the controls in these processes to a level of maturity that will enable the ES to move them to the orange zone of the risk map ("Assurance"). Only after such a "reclassification" it will be possible to consider these processes as mature for an assurance audit i.e. the IAS auditing the processes and giving an audit opinion on the adequacy and effectiveness of the related controls.

Sub-processes requiring further action towards improved controls

No	Name of sub-process	Action Planned by the European schools
2	Risk management	▪ Specific team meetings of the management of the Central Office will be held at least twice a year, and additionally whenever considered appropriate, in order to assess the appropriateness of the response given to the identified risks.
		▪ In this regard, a specific tool to be used would be a risk register, in order to reflect in a systematic way the most important risks (pedagogical, legal, administrative, financial et cetera) faced by the system, and the state of play of the actions in place to mitigate them. This risk register should be reviewed and updated regularly: at least annually and, additionally, whenever proved necessary.
		▪ It will be promoted by the Central Office to have in 2013 a specific seminar on risk management, addressed to the key management staff, Directors of the Schools and team of the Central Office. It could be ideally led by the IAS (similar content to the one held on year 2008 on "Risk Assessment Methodology" prepared by the IAS for the European Schools Directors meeting in June of that year).
13	Training	▪ The Secretary-General has already adopted a training policy by the beginning of 2011 (doc. 2011-01-D-51-fr-1). This policy is still in the phase of implementation. In summer 2012 the training needs of the staff members have been explored in order to cluster the needs and to develop tailor made trainings.
		▪ In the future the training needs shall be identified in the course of the annual 'entretien de fonction' and the bi-annual performance appraisal procedures.
14	Performance appraisal, Career development	▪ The Secretary-General has already adopted a performance appraisal policy by the beginning of 2011 (doc. 2011-01-D-77-fr-1). This policy, foreseeing bi-annual evaluations, was implemented for the members of the Administrative and Ancillary Staff (AAS) in 2011.
		▪ The procedure will be reviewed in the light of the experiences gained.
		▪ In a second step, the policy will be extended to members of the seconded staff.
18	Data protection	▪ Review and, if appropriate, update the aforementioned Memorandum 2010-M-32 on Protection of Privacy in the conduct of the meetings of the Administrative Boards and Memorandum 2010-M-34 on Personal Data Protection.
		▪ Send a reminder to the Schools about the applicability of these documents, in order to increase the awareness of the data protection related rules and,

		therefore, mitigate the risk of incompliance.
19	Ethics	▪ The Office of the Secretary-General has organised first one-day training on ethics and integrity in January 2012. Based on this seminar, in which all the managerial staff of the schools and the office did participate, the Office will develop 'Ethic and Security Guidelines' to be applied in the schools and in the Office. ▪ A draft will be discussed with the Directors of the schools and then - with the bursars of the schools, who are a main target group of the guidelines, ▪ Finally, all relevant staff members shall be trained on the basis of the guidelines until mid of 2013.
20	Document management	▪ The Central office will analyse the existing rules on document management in place in the BSG and, if appropriate, issue new guidelines in this regard. ▪ Additionally, the Central Office will check that the Schools have in place appropriate document management policies.
23	Business continuity	▪ Coordination with the European Commission will be intensified in this issue. ▪ A revision of the business continuity plan of 2009 will be undertaken.
21	Legal advice	▪ The Central Office will review its internal structures in order to create synergies. Additionally, it will examine ways to create a central web platform which could provide, linked to particular legal questions, the relevant MEMORANDA and legal positions taken by the Central Office in individual cases.
26-28	Stakeholder relations & Communication	▪ The ES system is aiming to create a new active directory in the near future, which will include the contact information of all the pupils, parents and staff members in one and only directory. The preparation of this directory is already rather advanced. ▪ In addition to that, the Central Office will review the current communication rules and policies in place in the BSG and update them, if necessary. In the same sense, the Central Office will check that, before the target date, the Schools have developed appropriate communication policies. ▪ Moreover, the Central office will analyse the existing rules on document management in place in the BSG and, if appropriate, issue new guidelines in this regard. In the same sense, the Central Office will check that the Schools have in place appropriate document management policies.
29	IT Governance	▪ Implement IT governance processes for the definition of an IT strategy in line with the business strategy, for the IT budgeting and for knowledge management and performance assessment within IT. (Target date: June 2013) ▪ Put in place an IT Governance Group with executive power and define the role and responsibilities of this new IT Governance Group: approving the IT Strategy, setting priorities, monitoring of 'IT' processes and IT performance, give more importance to the pedagogical mission,... (Target date: June 2013) ▪ Increase the coordination and implication of both IT Unit, Technicians IT (administrative objectives) and ICT coordinators (pedagogical objectives) in the schools (Target date: June 2013)
30	IT Project management	▪ Define and implement a project management framework which describes controls in the field of stakeholder management, project planning, project execution and performance monitoring, collection of business and security requirements and which outlines a procedure to handle change requests for ongoing projects. (Target date: end 2013)
31	IT Security	▪ Perform a Business Impact Analyses to identify the critical processes and the IT systems supporting those (Create a Risk IT register) (Target date: Q4 2013) ▪ Define a Business IT Continuity Plan (that includes a Disaster Recovery Plan) (Target date: Q4 2013) ▪ Define and implement an IT security policy and procedures (including access right management procedure) (Target date: Q4 2013)

32	IT Services delivery	- Put in place a Service Desk (Target date: Q1 2014) - Definition of procedures on incident management (Target date: end 2013) - Definition of procedures on change management (Target date: end 2013) - Define the ICT Unit Service Catalogue with OLAs and external SLAs (Target date: end 2013)
34	Governance and decision making	- It will be promoted by the BSGEE that a clear decision making process is maintained, whenever relevant decisions are to be made by the Boards of Governors. - In cases where generic decisions made at the level of the Board of Governors require further guidance, the BSGEE will keep on its leading role of the system in this regard, by issuing Memoranda specifying the particularities of the obligations to be fulfilled by the whole system.
35	Fraud prevention	- Specific training of this field will be provided by the OSGEE to Bursars and other financial related staff of the Schools. - The 'Ethic and Security Guidelines' (aforementioned in "Ethics"), will include specific rules on Reporting serious wrongdoing (´whistleblowing´) in order to inform staff of the action they should take in case of being aware of serious wrongdoing (whistleblowing procedure).
36	Data management	- Implement a formal data IT classification - Assign owners to all data IT assets and classify them
C1	Evaluation of pupils	**Nursery and Primary**. The plan would be to implement the new report and marking scheme in two pilot schools, possibly from September 2013 on, so that the new report and the new marking scheme could be applied to all schools from September 2014 on. **Secondary**. The plan would be to implement the new marking scheme possibly from September 2014 on in S1-4, so that the first European Baccalaureate using the new marking scheme would be in 2018.

The status of implementation of the above action plans should be reported to the IAS well in advance of the next update of the Strategic Audit Plan, currently planned for late 2013.

The IAS may support the European schools with consulting engagements on the above-mentioned sub-processes.

2.3.   Next steps

As with any IAS report, the IAS Strategic Audit Plan on the European schools will be addressed to the Office of the Secretary General and the Board of Governors of the European schools.

The Board of Governors needs to endorse the plan, including the short list of prospective audit topics for the next three years.

The objective is that the plan will be regularly reviewed and updated, based on the results of the following principal audit engagements and other exercises to assess and evaluate the ES and their performance:

- audits conducted by the IAS

- audits performed by the European Court of Auditors

- external evaluations of the European schools (if any).

The updated audit plan will be submitted for approval to the Office of the Secretary General and the Board of Governors of the European schools.

ANNEX 1 – AUDIT UNIVERSE

The following table gives an overview of the audit universe of the European schools. The operational processes, specific for the ES, are represented by letters whereas the administrative and support processes, are denoted by numbers.

Administrative and support processes

Process	Sub Process
Performance management	1 - Planning and monitoring
	2 - Risk Management
	3 - Budgeting
	4 - Monitoring of activities
	5 - Reporting/ Building Blocks of Assurance
Financial management	6 - Procurement
	7 - Grant management (not applicable)
	8 - Accounting and asset management
	9 - Budget execution
	10 - Revenues & Treasury
	11 - Asset Management /Inventory
HR Management	12 - Recruitment
	13 - Training
	14 - Performance appraisal, Career development
	15 - Expert Management (not applicable)
	16 - Management of Meetings
	17 - Missions
	18 - Data Protection
Support activities	19 - Ethics
	20 - Document Management
	21 - Legal advice
	22 - Facility Management, logistics, security
	23 - Business Continuity
	24 - Impact assessment, Evaluation
	25 - Audit (not applicable)
	26 - Stakeholder relations Management
	27 - Internal communication
	28 - External communication
IT	29 - IT Governance
	30 - IT Project Management
	31 - IT Security
	32 - IT Services Delivery
Cross-cutting	33 - Quality Management
	34 - Governance and decision making
	35 - Fraud prevention
Other	36 - Data Management

Operational processes

Process	Sub Process
A Enrolment	A1 Enrolment in Brussels
	A2 Enrolment outside Brussels
B Curriculum and planning	B1 Organisation of the school year
	B2 Timetabling
	B3 Elaboration and update of syllabuses
C Pedagogical monitoring	C1 Evaluation of pupils
	C2 Discipline of pupils
	C3 Transition and orientation
	C4 Support (LS, SWALS, SEN, Rattrapage)
	C5 European Baccalaureate

ANNEX 2 - BASIC INTERNAL AUDIT PLANNING PRINCIPLES

The audit strategy is based on the Financial Regulation of the European schools (FR), the IAS Charter and the standards of the Institute of Internal Auditors (IIA).

The FR states: "*The internal auditing function shall consist in advising the Board of Governors on dealing with risks, by issuing independent opinions on the quality of management and control systems and by issuing recommendations for improving the conditions of implementation of operations and promoting sound financial management*"[2].

The IAS Charter state that in order to perform its mission properly, the IAS must act in accordance with generally recognised principles and international standards governing internal audit.

IIA standard 2010 requires that "*The chief audit executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organization's goals.*" IIA standard 2120.A1 goes on to state: "*The internal audit activity must evaluate risk exposures relating to the organisation's governance, operations, and information systems regarding:*

- *Reliability and integrity of financial and operational information;*
- *Effectiveness and efficiency of operations'*
- *Safeguarding of assets, and*
- *Compliance with laws, regulations, and contracts.*"

As the European Court of Auditors (ECA) focuses its activities on the first objective mentioned above, the IAS will coordinate its audit activity with this institution to avoid overlapping.

In line with the IIA Professional Framework, the IAS will cover Internal Control, Risk Management and Governance.

Risk-based planning methodology - Definition of the audit universe and audit risk assessment.

The IAS's approach to the Strategic Plan contains three steps:

1. Clearly define what constitutes the different auditable systems, processes and units which make up the Undertaking's overall audit universe;

2. Make an assessment of the risks associated to the audit universe;

3. Identify the audit themes flowing from the risks identified and validated with the management.

The IAS methodology stressed on the 'value-added' of the planned audits when preparing its audit plan. The professional judgement of the auditor plays a critical role in determining where focus should be placed when auditing. In making this determination, the IAS will

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[2] Article 22 of the Financial Regulation of the European Schools

consider the IMPACT (inherent risk) of a risk if a control breakdown occurs and the VULNERABILITY (residual risk) of the controls. These two dimensions are shown in Figure 1: Framework for Risk Profile (MARCI).

Management's own Risk Assessment is a key element taken into account by auditors in their Risk Assessment.

Figure 1: Framework for Risk Profile (MARCI)

Although the IAS will carry out its own Risk Assessment, the audit approach and focus is influenced by management's assessment of impact of risks and the vulnerability of its core processes. The MARCI methodology used is elaborated below.

Reassurance: When management provide reasonable assurance (Fig. 1: "A" quadrant) that controls to prevent, detect, correct, a risk are both effective and efficient, the role of the Internal Auditor is to provide reassurance that management's reports can be relied upon. When management can only provide "qualified" assurance — meaning that some controls are working while others are not — the Internal Auditor should audit the controls that are deemed to be effective and support improvement in other areas as required.
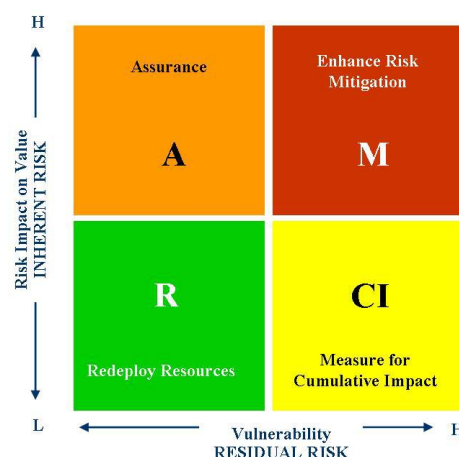
Enhance risk mitigation: When management is unable to provide any assurance (Fig. 1: "M" quadrant) that controls are either effective or efficient, it should address risks requiring mitigation. In this situation, the added value might be limited if the Internal Auditor work simply confirms the existence of risks already well known by management. However, the Internal Auditor could provide recommendations (consulting services) to help management to develop and design controls to reduce exposure and track progress on remediation plans.

Redeploy Resources: For the processes leading to risk with low impact on value, and low vulnerability, the Internal Auditor could test controls for effectiveness and develop recommendations helping management to improve efficiency (Fig. 1: "R" quadrant).

Measure for Cumulative Impact: Finally, in case of low impact on value associated with a high vulnerability, the Internal Auditor could assess cumulative impacts and frequency to determine whether these risks may in aggregation have a more significant impact (Fig. 1: "CI" quadrant).

The definition of the audit universe involved the mapping of standard processes and sub-processes of the Agency, in operations as well as in support functions and administration.

During the risk assessment exercise, the IAS has - for each process and sub-process of the Agency – performed the following steps:

- Determine and validate the **inherent risks** - IMPACT;
- Assess and validate the **expected minimum controls** implemented to mitigate the Inherent risk (IMPACT);
- Evaluate – based on interviews at the Undertaking - the level of the **residual risks** (VULNERABILITY).

- ▪ **Validate the results** of this evaluation – MARCI assessment – with the Executive Director.