

Bi-Annual Management Report DG INFSO

01 JULY 2007 – 29 FEBRUARY 2008



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1. Introduction

This Bi-annual Management Report covers the period from 1 July 2007 until 29 February 2008 and is accompanied by a set of Annexes containing more detailed information. It reports on issues identified in the agreed Working Methods between Mrs Reding's Cabinet and DG INFSO¹ in line with the Code of Conduct on relations between Cabinets and Services.

As last year and in order to avoid repetition the BMR refers where appropriate to DG INFSO's Annual Activity Report 2007 and presents only the information which is complementary to it.

Several chapters in this BMR include references to the topics discussed at the "Internal Control Coordination Group" (ICC Group²), the coordination forum established in order to (inter alia) ensure an effective follow-up to DG INFSO's *yearly High Level Risk Assessment (HLRA) exercise*. The ICC Group is chaired by the INFSO General Affairs director and composed of permanent correspondents from all INFSO directorates.

The ICC Group meets on a regular basis, normally every two months. During the second half of 2007, ICC Group meetings took place on 18.10.2007 and 06.12.2007 – leading to the second progress report on the state-of-play of 08.01.2008 (see annex A1). The first meeting of 2008 was held on 31.01.08.

A dedicated INFSO.S intranet-page includes all related documents (http://intra.infso.cec.eu.int/S/IC_coord_group/pages/meetings.htm).

2. Status of the Work Programme

The Cabinet is regularly informed, in weekly meetings with the Director General, on the state of play relating to the implementation of the Rolling Work Programme.

3. Implementation of 2007 Budget

The detailed results of DG INFSO's budget implementation at 31.12.07 will be documented and commented in DG INFSO's Annual Activity Report 2007 (see AAR 2007 Annex 4) covering the full year of 2007.

¹ VH/af D(2005)456 of 23.02.05 and VH/af D(2006) 0834 of 10.04.06 + annex, cf. points 2.6, 2.7 and 2.8

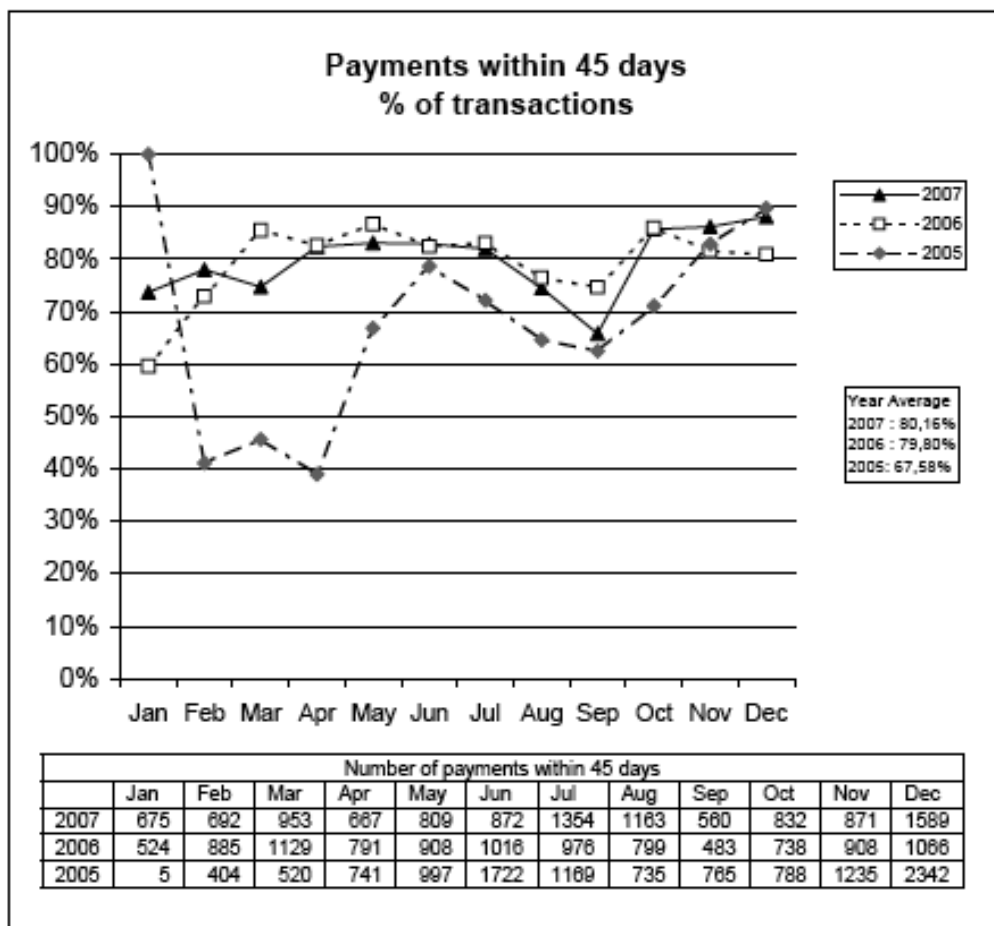
² The mandate of the ICC Group is to assist INFSO's Senior Management to effectively prepare, coordinate, monitor and follow up all important internal control related issues of the DG, such as:

- compliance and effectiveness of the implementation of the Internal Control Standards (ICS);
- follow-up of internal audit recommendations;
- follow-up of risk management action plans;
- planning and follow-up of financial audits results implementation;
- coordination of issues related to the ECA, OLAF, Ombudsman, DPO;
- any other important internal control related issue which needs coordination across the DG.

3.1 Payment times

Globally, processing time has further improved, with 80,16% of payments within 45 days in 2007, compared to 79,80% of payments within 45 days in 2006, 67,58% in 2005 and 63,09% in 2004. As there was less fluctuation than the years before, the overall status improved in 2007.

Table 1: Payments times compared to previous years



Most categories of transaction have improved their results in 2007.

Payment figures related to projects, representing most of DG INFSO appropriations, were substantially improved in 2007, with 76.59% of payments executed within 45 days compared to 70.74% in 2006, 66.27% in 2005 and 61.23% in 2004.

Payment figures related to experts worsened from 90,05% in 2006 to 83,77% in 2007, and those related to meetings from 52,21% to 38,75%. One of the reasons explaining the deterioration of payment times for meetings was probably the high turnover rate of contract agents in charge of payment files in operational directorates, which implied a late initiation of payment files. In 2008 the use of the AL2 application for managing meetings is expected to give a positive contribution to payment times, and increase performance also through real-time monitoring of payment processes.

As part of the overall effort to improve payment times at DG INFSO, a working group on payments has also been set up in the framework of the network of the administrative and Finance units, with the objective to implement an upgrade of the FP6 payments module by May 2008, and of the FP7 payments module by September 2008.

The table below details performance by category over the last 3 years.

Table 2: Payments times by category of expenses

	2007			2006			2005		
Type of transaction	% of payments	Number of payments	Value €	% of payments	Number of payments	Value €	% of payments	Number of payments	Value €
External staff	93,30	404	4.843.739	88,82	596	4.765.258	71,02	424	5.135.155
Missions	95,95	1.516	571.825	89,48	3.182	1.130.769	54,32	1.422	425.006
Services & Studies	85,65	1.247	19.257.763	85,43	997	19.594.447	77,38	715	17.505.843
Experts	83,77	4.145	12.642.706	90,05	3.004	8.137.453	77,63	3.883	11.058.492
Projects	76,59	1.145	766.056.138	70,74	1.325	928.136.737	66,27	1.432	705.934.036
Meetings	38,75	756	445.436	52,21	1.065	656.301	42,30	774	509.919
Grants	100,00	10	22.598.666	27,27	21	1.446.467	74,07	2.677	64.648.038

3.2. Status on recovery orders

During the second semester 2007, DG INFSO has continued its focus on issuing new and following up existing open recovery orders.

As usual, the main reasons for the establishment of 72 new recovery orders during the second half of 2007 were the implementation of audit results (49 audits) and the recovering of pre-financing amounts after final payments (14 cases) . In addition to these categories 9 recovery orders were issued out of which 3 related to bankruptcy.

On 01.07.07, the balance of 125 open recovery orders totalled 14.5 M€. During the second semester of 2007, the newly established recovery orders added 17.4 M€ to this amount. However, recovery orders worth 16.6 M€ were cashed/compensated. An effort allowed the waiving of 1M€ during the second semester and 0.05 M€ was cancelled. Consequently, the balance on 31.12.07 stood at 117 open recovery orders totalling 14.2 M€.

In the stock of open recoveries, the recovery orders issued following the liquidation of legal entities due to bankruptcy represent an important category. This category of recovery orders usually remains open for a long period, after which in most cases they lead to a waiving decision (once the liquidation is definitively closed, no means are available to recover the open amounts) due to the fact that the Commission has the legal status of an unsecured creditor. During the second semester of 2007, 4 cases of bankruptcy have led to waiving of 0.32M€. This category represents 30% of the waived recovery orders and the largest amounts still expected to be waived in the future, 19 cases totalling 2.7 M€, compared to the overall 33 cases worth 6.2 M€.

All details are provided in **Annex B1**

Concerning the Media Programme, during the second semester of 2007, DG INFSO has received 1 case (2M€) from the EACEA for an amount of 750.000€ for submission to the College for waiving decision. This decision was taken early 2008 and implemented by the financial service in February.

4. Changes to the financial circuits

All the financial circuits adopted in 2006 have remained in force in 2007.

5. Risk management

5.1. Follow-up of DG INFSO's 2006-2007 High-Level Risk Assessment (HLRA) exercise

Based on the DG INFSO's 2006 High-Level Risk Assessment (HLRA) exercise, the follow-up of the risk management actions for the DG's critical and other important risks has been organised from early 2007 onwards through the "Internal Control Coordination Group (ICC Group)", specifically set up for these purposes. In 2007, DG INFSO's ICC Group has met four times and assessed the monitoring results for the actions in the context of risk management measures, internal control recommendations and suggestions for improving working methods.

By the end of 2007 (see note D/854673 in annex A1), the implementation of those action plans appeared to be in progress as initially forecasted. In some cases, some elements of the action plan will continue into 2008. In addition, the monitoring of DG INFSO's most important risks confirms that our exposure to those risks (as identified at the end of 2006) is either under control and/or has been reduced (e.g. roaming and TVWF policies). Any new risks signalled (e.g. ENISA, JTI, REA, etc) have been assessed at the occasion of the next HLRA (see 5.2 below) and are included in the next follow-up mandate.

5.2. New DG INFSO's 2007-2008 High-Level Risk Assessment (HLRA) exercise

In line with the Commission's framework "Towards an effective and coherent risk management in the Commission services", on 14.01.08 DG INFSO has finalised its 2007-2008 High Level Risk Assessment (HLRA) exercise which has covered all the DG's 2008 AMP objectives. In the context of this exercise (see note D/902162 in annex C1), the INFSO's 4 "critical risks" have already been reported in DG INFSO's 2008 Annual Management Plan (see appendix to INFSO's 2008 AMP) and concern respectively the Telecom regulation, the Spectrum policy, the JTIs and the errors in cost claims.

Similar to last year, the relevant risk management mandates have been assigned (at the first 2008 ICCGr-meeting of 31.01.08) and will be elaborated by the unit(s) in charge. Regular follow-up is taking place through the ICC Group which will also monitor the risks and the progress made during 2008.

6. Internal Control & ICS

6.1. State-of-play of the implementation of the Internal Control Standards (ICS)

DG INFSO's annual analysis of the state of the internal control system (including its compliance with the ICS requirements), the continuous enhancement of the effectiveness of its control arrangements in place, the subsequent recommendations for further improvements identified by the DG's Internal Control Coordinator (ICC) have already been commented in DG INFSO's Annual Activity Report 2007 (see AAR 2007 chapter 2.5).

Furthermore, as required in the context of the revised ICS, DG INFSO had already selected 3 priority ICS-themes for more focus on increasing effectiveness and related recommendations for 2008 (see appendix to INFSO's 2008 AMP):

- policy on sensitive functions
- business continuity plan
- protection of personal data.

DG INFSO has been involved in the informal working groups lead by DG BUDG to review the ICS for 2008, following which INFSO staff was informed through lunchtime info sessions in December/January and appropriate updates of the dedicated ICS intranet-pages on the novelties of the revised "ICS for Effective Management" as from 2008.

See annex D1 for details, the note "Annual recommendations from the Internal Control Coordinator", D/907178, which describes the progress made on internal control aspects during 2007 and presents the new recommendations and suggestion for actions for 2008.

6.2. Reporting of Directors as Authorising Officers by Sub Delegation

As mentioned in DG INFSO's Annual Activity Report 2007 (see AAR 2007 chapter 2.3.), through their Directorates' Management Reports for 2007 (DMRs), the Directors as Authorising Officers by Sub-Delegation have reported no new issues – related to the principles of legality, regularity, effectiveness, efficiency and economy (sound financial management) and/or related to risk management and internal control – under their responsibility to be considered by the Director General as Authorising Officer by Delegation as potential qualifications or new reservations to his AAR declaration (see for further details the note D/907178 in annex D1).

7. Status report on external financial audits up to 31 December 2007

For a detailed status report on DG INFSO's external financial audits in 2007, see the "External Audits Synthesis Report 2007" in DG INFSO's Annual Activity Report 2007 (see AAR 2007 Appendix 2) and the related comments (see AAR 2006 chapter 2).

8. Briefing on the main issues concerning the relations with the European Court of Auditors

8.1. DAS 2006 – Discharge procedure

The Court published its 2006 Annual Report on 15.11.07. The Court continues to be critical towards the management of the Research Frameworks Programmes. Like in previous years, it stresses a material level of errors in the costs declared by beneficiaries, the complexity of the legal framework and the lack of reliability of audit certificates as control tool. Besides these criticisms, the Court issues however positive messages, regarding in particular the sharing of ex-post audit results and the common audit strategy for FP6, qualified by the Court as "a sound basis for addressing the problems identified by the Court". The assessment of supervisory and control systems for internal policies is considered by the Court as partially satisfactory, compared to unsatisfactory the year before. The Court considers that for 2006 the error range for internal policies is between 2 and 5%, which equally qualifies as partially satisfactory.

Following this improved picture provided by the Court, the CONT³ did not consider it necessary to organise a hearing of the Research Commissioner(s) in the framework of the discharge 2006.

Next step for the 2006 discharge procedure will be the adoption of the CONT report on 25-27.03.08. The vote on the discharge 2006 will take place in the plenary session of the European Parliament during the April session (21-24.04.08). At the moment of finalising this report, the agenda is still valid.

8.2. DAS 2007 – audits started or ongoing

- **Transaction audits**

Between 01.07.07 and 29.02.08, DG INFSO has received from the Court 9 requests for documents supporting 36 transactions to be audited. The documentation was supplied in all cases within the deadline. One additional transaction selected by the Court targeted the executive Agency (EACEA) and therefore concerned DG INFSO. The requested documentation was delivered to the Court through DG INFSO.

The Court carried out, during this period, 34 on the spot financial audits on the participation of legal entities in contracts managed by DG INFSO. Additional 7 audits are foreseen for March 2008. DG INFSO representatives accompanied the Court for 24 of the controls made up to now.

At the end of February a letter of preliminary findings related to 5 transactions has been issued, based on an on-the-spot audit by the Court. These reports are currently being analysed and processed according to standard procedures.

- **System audits**

Between 01.07.07 and 29.02.08, DG INFSO has received from the Court three requests for information concerning the following subjects:

- The follow up of the Court's observations
- Payment times
- The implementation of the Common Ex-post Audit Strategy for FP6 and the application of sanctions in FP6

No letter of preliminary findings has been received up to now by DG INFSO in relation with these requests.

8.3. Court's Special Reports

- **Performance Audit: "The Commission's system for evaluating the impact of indirect actions under the EC RTD framework programmes "**

The Court started this audit in January 2006. After 3 letters of preliminary findings, a draft report was sent by the Court to the Commission in July 2007. Following the Commission's reply in October 2007, contradictory meetings took place with the Court. The Court has published its report at the end of December. **This special report was presented by the Court to the CONT on 26 February.**

In its report the Court raises concerns about the lack of an explicit "intervention logic", poorly defined programme objectives and weak performance measurement. More details about the main messages of the Court and the position of DG INFSO are

³ CONT is the new acronym to be used for the CoCoBU – the Committee on Budgetary Control

included in the note D(2007)839681 addressed by F. Colasanti to R. Strohmeier on 5 October 2007.

- **Performance Audit: "The adequacy and effectiveness of selected FP6 instruments in the achievement of Community RTD Objectives"**

The Court started this audit in July 2006. The aim of the audit is to assess the effectiveness of selected FP6 instruments in providing relevant results contributing to the achievement of the objectives of Community research.

A first letter of preliminary findings (PF 2430), of descriptive nature, was sent by the Court to the Commission in April 2007. The Commission's reply was sent to the Court in June 2007.

A second letter of preliminary audit findings (PF 2553), concerning the assessment of seven FP6 projects managed by DG INFSO was sent by the Court in August 2007. The Commission's reply was sent in November 2007.

A third letter of preliminary findings (PF 2614), giving a qualitative assessment of the effectiveness of FP6 instruments, was sent by the Court on 4 January 2008. This sector letter is part of the Court's special audit on FP6 instruments and is summarising their findings on a series of individual projects, to which each research DG had already responded for projects in detail last summer. The consolidated reply, currently nearly finalised, is largely based on the input already given and assures a consolidated view of the research DGs.

A fourth letter of preliminary findings, relating to the management of FP6 instruments by the Commission, is expected in the next few weeks. A draft report will follow in due time.

8.4. Court's work programme for 2008

The Court's work programme for 2008 mentions: "the Court will develop its examination of the multi-annual nature of a significant part of the Community expenses". In addition to the finalisation of its performance audit on FP6 instruments' adequacy and effectiveness, the Court will launch in 2008 two preliminary studies directly concerning DG INFSO, one on research infrastructures and one on the performance of Executive Agencies.

It is however clear that, as in 2008, the Court will undertake in 2008 two main types of work:

- Financial audits on the reliability of accounts and the legality and regularity of underlying transactions
- Performance audits on the soundness of financial audits (see point 8.3).

9. Main issues concerning the relations with the Internal Audit Service

During 2007, the Internal Audit Service (IAS) performed several audit engagements which were directly relating to DG INFSO's activities:

9.1. IAS audit of ex-post controls in the Research DGs

Following the 2006 IAS audit of ex-post controls (cf. IAS final audit report of 14.02.07, INFSO's auditee's position of 21.02.07, Action Plan presented to the Audit Progress Committee (APC) at its meeting of 30.03.2007), DG INFSO and the other Research DGs have

reinforced their common FP6 audit policy, by increasing the audit coverage, by strengthening the coherence among DGs and by implementing organisational changes including the allocation of additional staff (*cf. ABM action plan of March 2007, progress reporting to ABM steering committee and APC on regular intervals during 2007*). At the end of 2007, only one part of one recommendation remains open: the finalisation of the next framework contract for the FP7 audits (*target date = June 2008*).

9.2. IAS audit of the Annual Activity Report (AAR) assurance process

As already briefed during the "jour fixe" meeting of 12.02.08 (*cf. point 3 on "IAS Action Plan" – briefing note D/905486*), the IAS sent on 21.01.08 its report on the AAR assurance process. However, in the context of the requested action plan, the 3 recommendations addressed to DG INFSO (*cf. suggestions related to the DMRs, exception reporting and respecting the AAR standing instructions*), in so far as accepted by INFSO, had already been implemented before the end of 2007.

9.3. IAS audit of the research information systems

Last autumn, the IAS launched its "audit of research information systems" (*announcement letter 16.07.07, opening meeting 04.09.07, kick-off meeting 12.10.07*). The reasons behind this audit can be traced back to:

- the 2005 ECA report on FP5 which recommends for FP6 the set-up of "common or integrated systems" and centralised support functions;
- the FP6 IT governance structure under which, finally, no common system was used for contract, project and financial management.

The audit covers the information systems directly related to the Research policy's grant management at DG RTD and INFSO (DG ENTR and TREN will be audited later), and may lead to IAS "recommendations" on the management of the IT systems currently used and/or being developed. *In addition, the IAS may also provide "considerations" for the inter-DG FP7 IT Governance Steering Board as currently set up.* The audit scope originally covered governance and project management aspects of those IT systems, in terms of business adequacy and effectiveness; but later on, IT security has been added too. The systems audited are both those developed on a joint basis by ITPO or DIGIT⁴ and those developed solo by RTD or INFSO⁵. The security aspects covered are continuity of service (e.g. the DRP - *Disaster Recovery Plan*) and system access management (e.g. the APUS system).

Following the fieldwork phase of this audit, the IAS presented its "observations" for pre-validation at a meeting on 25.02.08. Related to DG INFSO, the IAS' findings and related risk assessment would lead to recommendations on the following aspects:

- Planning, organisation and project management (local IT Governance): IT system architecture, project management methodology, quality assurance, change requests management, the IT Unit's organisation, IT performance monitoring and reporting, IT risk management process;
- Security (IT DRP, system access management & APUS): the LISO (*Local Informatics Security Officer*) function and security controls, IT security policy, the SSO (*System Security Officer*) function, management of user access rights, security module for user role management, data and information systems classification, the BU33 and BU29 computer rooms.

Currently, DG INFSO is preparing its comments on these IAS observations. The IAS' draft report is planned for end February; its final report is expected by end March.

⁴ e.g. URF-PDM which is a portal for all participants in FP7 and relates to the unique registration facility and Participants Data Management.

⁵ e.g. Phoenix and iFlow are systems developed for the management of DG INFSO projects.

9.4. IAS audit of Recoveries (RO)

The kick-off meeting of this audit for which DG INFSO was included amongst the DGs to be audited, took place on 02.10.07. While the events generating the RO (ex-ante verification, ex-post controls and extrapolation, OLAF) itself are out of the scope of the audit, the scope does include the analysis of potentially abnormal RAL, the forecast of revenue (FOR), the issuance of a RO (if >200 EUR), and the effective recovery (by offsetting, cashing, using bank guarantee, enforced recovery ex-art.256 or Legal Service/vs. waiving or cancelling) of the amounts concerned, by the action of the Authorising Officer or by action of DG BUDG.

The auditors are examining the internal control systems and the monitoring systems, both in the DGs concerned and in DG BUDG.

After the fieldwork phase, a pre-draft report was targeted by February 2008 which has not yet been received at the moment of finalising this report.

9.5. Other IAS-related aspects

As mentioned in the context of the "APC reminder on the implementation of [very important] IAS recommendations past due for more than 6 months" (cf. note INFSO-Cabinet D/853653) following the transfer of the management responsibilities for the MEDIA Programme, DG INFSO became formally responsible for the implementation of three recommendations from the IAS 2004 in-depth audit of DG EAC (ref. "IAS-2004-EAC-004") – of which two recommendations are only partially implemented. However, for their full implementation [only the aspects related to a MIS management information system remain open], the EACEA agency (including its Media Unit P8) and DG INFSO (its Media Unit A2) were and are dependent on the development and deployment of the "Symmetry" IT system by DG EAC which would replace and upgrade the "AppFin" system, commonly on behalf of all ex-EAC programmes.

During the EACEA horizontal coordination meetings the status of the "symmetry" module for MIS-purposes was discussed at several occasions. The position of DG EAC not to develop this module, but instead go for another solution (e.g. Business Objects to cover the MIS aspects for all underlying data systems) was confirmed during the last meeting (January 2008). DG EAC announced an updated target date for implementation towards September 2008 at the earliest.

Furthermore, based on the information received subsequent to the IAS audit of Implementation of the Financial Circuits for operational budget of the EACEA (ref "IAS-2006-V-EACEA-001"), on 08.02.08 the IAS has decided to downgrade the recommendation n°26 (related to Management Information, reporting and follow-up) from very important to important, similar to rec. n°24 (related to de-commitments and closure of projects).

10. Audits performed by DG INFSO's Internal Audit Unit and related matters

10.1 Audit of the Project review process in the FP6-IST programme

- **Background**

The IAS audit on ex-post controls expressed the risk that key aspects of regularity and legality were not being effectively addressed by current practice, i.e. the fact that ex-post controls on the scientific dimension of the projects were not systematically performed. Based on this newly formulated risk and following a request by the Director General, the INFSO's IAC added to the Audit plan for 2007 this specific audit focussing more deeply on project reviews.

- **Conclusions**

Project reviews, beyond their strategic aim to improve the performance of the project and help consortium to fulfil their research objectives, constitute an important control measure aiming at assessing the results of research projects.

The overall conclusion of the audit work is that there is a good level of effectiveness in many aspects of the project review. This audit found neither critical nor very important weaknesses.

However some important weaknesses were found linked with a proper assessment of the economy and necessity of costs in reviews and on the adequacy of the actions taken in case of negative comments from external experts.

The general approach in the DG is to focus on gaining the most added value out of the money committed, in line with one objective of FP6 of significantly contributing to innovation. As a result, POs tend to give preference to create and maintain a well working partnership with the consortium and to give it chances to recover in cases of a poor performance or a weak project management. If faced with negative review reports, the rejection of a cost or a suspension/termination of the contract are left as last options. This approach contains the inherent risk that the option of rejection of costs or suspension/termination of the contract is not applied even when no adequate value for money can be obtained from consortium.

The audit work also shows that management lacks an overall view on how many project reviews have been performed, their overall results or the results of the detailed assessments.

In conclusion, these weaknesses demonstrate the need to prevent them by implementing a few supervision measures at DG level.

- **Further developments**

The report expressed 9 recommendations, of which 6 were accepted. The rejected recommendations concerned two issues of lower importance (at the "desirable" level) and one about selection of reviewers. An action plan was elaborated by a working group composed of representatives of all Directorates concerned. As one of the main results, it covered the recommendation concerning the establishment of a standard report on the outcome of the reviews, which all services use, which would in particular improve the assessment of efficiency and effectiveness. This would be supplemented with the systematic recording in an IT tool of the outcome of the reviews. These will be implemented, due dates being between end of 2007 and January 2009.

10.2 Audit of the Legacy of open commitments from previous programmes

- **Background**

The main objective of this audit is to review the process of the management of the legacy of closed programmes in DG INFSO, i.e. the management of files corresponding to projects launched during previous programmes, in order to provide reasonable assurance that the internal control systems, applied in the Directorates regarding this process, are adequate and effective.

- **Present status**

The fieldwork of this audit was finished in December 2007 and a draft report issued on 24.12.07. Replies are currently being received from the Directorates concerned, and the final report should be published in March 2008.

10.3 Audit on the activities of the Operational sectors (OS) and the Administrative and finance Units (AFUs)

- **Background**

The audit principally aims at giving assurance that the roles and responsibilities actually and formally assigned to the OS and AFUs are adequately and effectively helping the DG to achieve its strategic objectives.

This includes the following specific audit objectives:

- To determine the degree to which the purposes of the audited services' existence and functioning are in fact met and where they are not, to identify barriers that hinder meeting these purposes.
- To assess the effectiveness of the internal control systems applied in the audited services in respect of the audited processes.

- **Present status**

Most of the activity for this audit was performed in 2007. The draft audit report was sent to all the Directorates concerned on 07.02.08. Replies from these Services are currently expected for the end of February 2008.

10.4 Other audits started at the end of 2007

Two other audits were launched at the end of 2007 and are currently in the stage of the fieldwork:

- **Audit on Ethics:**

This work aims at an assessment of the awareness by the staff of DG INFSO of the rules of ethics governing their professional life, and of the extent to which the staff applies these rules.

- **Audit of the contract negotiation and preparation process in the FP 7 IST programme:**

The audit examines the various aspects of the Negotiation process through which the projects retained in an evaluation exercise have to go until the signature of the grant agreements.

10.5 Consultancy and other activities

The IAC gave assistance to IAS activities in DG INFSO, and participated in the meetings organised concerning the IAS audits within DG INFSO during the year. This covered three main activities:

- First the Head of the IAC participated, as the contact point, in the audit which the IAS performed on the elaboration of the Annual Activity Report (IAS audit on the AAR process), which was performed during the second half of 2007.
- The IAC accompanied an IAS team also in its audit on DG INFSO's Information Technology services, as part of the IAS audit on Informatics in the Research DGs.
- Finally, the IAC accompanied the IAS in its audit of the Recovery Orders in INFSO.

11. State of play on OLAF's files

During the reporting period the main following changes have occurred:

- 5 new files were reported by DG INFSO to OLAF and are currently still under evaluation by OLAF to decide whether or not a case should be opened
- 1 file concerning INFSO was brought to OLAF's attention by DG BUDG
- 1 file was transmitted by INFSO to OLAF in the frame of an existing investigation
- 1 case "in evaluation" and 1 "monitoring case⁶" were transmitted by OLAF to DG INFSO requesting additional information
- New elements of "follow-up actions" occurred for 6 cases
- 2 files were closed (1 without follow-up actions and one as a prima facie non case⁷).

See **Annex E1** for more details.

The periodic exchange of information meeting between DG INFSO and OLAF took place on 3.12.2007. Beyond the usual state of play on "open cases", this meeting was also meant to discuss the way how to further exploit synergies between the outcome and data obtained from both DG INFSO's external audits and OLAF's investigations. This is particularly relevant in the context of the conclusions of the Conference of 24-25.10.2007 on "Operational Cooperation between OLAF and the Commission" and of the communication on the new approach for fraud-proofing which was adopted by the Commission on 17.12.2007⁸. See Annex E2 for the operational conclusions of this meeting.

12. State of play on the European Ombudsman's files

During the reporting period one new complaint was received by DG INFSO, as well as two informal requests (one for further information and one request for friendly solution). Five complaints (DG INFSO was in consultation for one of them) were closed by the Ombudsman, and one maladministration decision was taken (regarding the complaint for which DG INFSO was in consultation). In addition, ten complaints (DG INFSO is in consultation for five of them) are still on-going.

See **Annex F1** for more details.

In 2007, the number of Ombudsman's inquiries addressed to the Commission remained stable, even almost identical compared to 2006. After a peak in 2004 and 2005, the number of complaints now has stabilized at around 15% above the average number of complaints recorded during the years before the peak.

Regarding DG INFSO, some statistics since 2003 are useful:

- 2003: 4 new complaints addressed to DG INFSO & 1 closed case for INFSO (No maladministration)
- 2004: 6 new complaints (3 directly addressed to DG INFSO and 3 for which DG INFSO was in consultation) & 3 closed cases for INFSO (one concluded as Maladministration: Goldfinger)
- 2005: 8 new complaints (6 directly addressed to DG INFSO and 2 for which DG INFSO was in consultation) & 6 closed cases for INFSO (one concluded as Maladministration: Walsh)
- 2006: 4 new complaints (2 directly addressed to DG INFSO and 2 for which DG INFSO was in consultation) & 2 closed cases for INFSO (one concluded as maladministration: Paul-Morandini)

⁶ Monitoring cases are cases where OLAF would be competent to conduct an external investigation, but in which a Member State or other authority is in a better position to do so and is usually already doing so.

⁷ Prima Facie non cases are those where information is received which clearly and unequivocally does not fall within the competence of Olaf.

⁸ COM/2007/0806

- 2007 (up to February 2008): 10 new complaints (5 directly addressed to DG INFSO and 5 for which DG INFSO was in consultation) & 3 closed cases for INFSO (No maladministration)

In summary, out of 15 cases closed for INFSO since 2003, 3 (20 %) were for maladministration, which corresponds to the average number for the Commission.

The Ombudsman has a tendency to multiply the number of further requests for the same complaint. The number of questions has also risen in each complaint, the number of requests for access to files (on site) has increased, and there is now a tendency to touch up new, more complex and sensitive issues. Some explanations to these features might be found in the increase of staff in the Ombudsman's services, and in the Ombudsman's wish to broaden his power and sphere of influence. He has indeed requested the Parliament to review his Statute namely in order:

- to let him intervene in cases before the Court of Justice;
 - to receive the power to obtain all the information and documents that he considers necessary for the purposes of an inquiry.
- [His request is still under discussion within the Parliament and the Commission will be officially consulted in time].

As announced in his Annual Report for 2006, the Ombudsman is now carrying out a study (which is now at an advanced stage) on the follow up given throughout the Commission to all critical remarks (instances of maladministration) and further remarks (proposals for improving administrative practices) made in 2006 which he will submit to Parliament.

For the second time, on 0.11.07, the Ombudsman met with the DG "Coordinators for Ombudsman matters" and had a constructive and open exchange of views. The meeting was hosted by Secretary-General Catherine Day and Vice President Margot Wallström. Furthermore, the Ombudsman also met the Directors-General on 29.11.07 and gave an overview of issues of common interest (i.e. a fair treatment of citizens vis-à-vis the institutions, how to identify and tackle systemic problems, presentation of his mandate and his role, his intention to become more proactive regarding the follow up given by the Institutions to his critical and further remarks and what lessons they have drawn for the future).

Last December 2007, the Ombudsman started an investigation aiming at assessing whether the Commission pays its bills on time. He wants to obtain information on the steps taken by Commission to identify the causes of delays, and questions the rules according to which payment of interest is made only upon request (this issue is however now closed because this rule has been changed since January 2008). DG ADMIN/BUDG are preparing the Commission's draft reply. DG INFSO should not be consulted.

13. Relations with the Education, Audiovisual and Culture Executive Agency (EACEA) – Media Programme

13.1 INFSO's supervision of the EACEA

As already mentioned in DG INFSO's Annual Activity Report 2007 (see AAR 2007 chapter 2.1), in accordance with Article 15 of the EACEA's "Act of Delegation" (C(2005)365 of 15.02.05), DG INFSO is one of the parent DGs (DGs-de-tutelle) co-responsible for the "scrutiny" of the EACEA. DG INFSO's monitoring and supervision needs in the context of the EACEA are being met through the participation in the "horizontal issues" and the "coordination committee (ex-task force)" meetings between the Agency and the parent DGs. In addition, regular MEDIA-specific "réunions de suivi" take place between the Director of the Agency and the Director INFSO/A to monitor the implementation of the annual work programme and to discuss the Agency's programme-specific reporting (cf. "mirror units"

INFSO.A2 – EACEA.P8). Finally, the Director INFSO/A is also Vice-Chairman of the EACEA Steering Committee and ensures the regular reporting to DG INFSO's Director General (and, through him, the Commissioner) through a formal reporting procedure on the outcome of the Steering Committee meetings.

During 2007, 6 meetings of the Agency's Management Board ("Steering Committee") took place on 16.01.2007, 28.02.2007, 29.03.2007, 17.04.2007, 29.06.2007 and 22.10.2007.

Related to the EACEA's management of the MEDIA Programme, in 2007 two issues have been successfully mitigated:

- The MEDIA 2007 delegation to the INFSO Director General was blocked by the Legal Service for a considerable amount of time, which led to commitments and payments of the MEDIA 2007 Programme executed by the EACEA being delayed. Consequently, MEDIA 2007 actions had to be adopted by written procedure following inter-service consultations (which implied significantly longer procedure duration). Following the adoption of the so-called "2e train" of the MEDIA Work Programme 2007/2008, the negotiations on the MEDIA Delegation could be un-blocked and the MEDIA 2007 delegation to the INFSO Director General was adopted on 10.10.07 and the respective sub-delegation to the Director INFSO/A was put in place on 24.10.07. Furthermore, throughout 2007, DG INFSO managed to limit the serious consequences these delays could have had for the implementation of the programme and the payment of grants to the beneficiaries. All procedures were successfully concluded in time to enable specific awards to be presented and to ensure the total execution of commitments in 2007.
- In autumn 2007, the EACEA had to put on hold a number of actions in the treatment of open MEDIA II files (in particular the issuing of recovery orders) as the Legal Service clarified that an amendment of the Commission's decision setting up EACEA was needed to explicitly include MEDIA II in the Agency's mandate. Transitional modalities of cooperation/financial circuits were defined in winter 2007/2008 between EACEA and DG INFSO for temporarily handling the remaining MEDIA II dossiers. In parallel, an amendment of EACEA's mandate to specifically include MEDIA II was prepared and launched in January 2008.

13.2 EACEA's management reporting

In the context of the preparation of the EACEA's 2008 AMP (in annex to INFSO's 2008 AMP), the Agency has made its annual risk assessment exercise as well. For 2008, 2 "critical risks" have been identified related to (i) unavailable IT-tools – including Symmetry, and (ii) office space difficulties. Measures to be taken in order to reduce the likelihood and/or impact of those risks have been initiated.

Furthermore, as required in the context of the revised ICS (as from the 2008 AMP), the EACEA has selected 3 priority ICS-themes (see EACEA's 2008 AMP):

- Staff evaluation and development;
- Processes and procedures;
- Accounting and financial reporting.

The EACEA's 2007 AAR and BMR will be forwarded to the Cabinet once received in the approved version.

14. Declaration and reservations

This part has been documented and commented intensively in DG INFSO's Annual Activity Report 2007 (see AAR 2007 Chapter 3).

15. Annexes

Annex A Introduction

- A1: 4th meeting of the ICC Group: monitoring of INFSO actions in the context of risk management and internal control – progress report of 06.12.07 (D-2007-854673)

Annex B - Implementation of 2007 budget

- B1: Overview status of Recovery orders

Annex C – Internal Control & ICS

- C1: DG INFSO's 2007 High-Level Risk Assessment exercise: documents as endorsed at INFSO Directors meeting of 14.01.08 (D-2008-902162)

Annex D – Internal control & ICS

- D1: ICC's recommendations on the progress made on internal control aspects during 2007 and on the new recommendations and actions for 2008 (D-2008-907178)

Annex E – State of play on OLAF's files

- E1: INFSO files/cases with OLAF – changes between 01.07.2007 and 29.02.2008
- E2: operational conclusions of "Exchange of Information meeting" between OLAF and DG INFSO

Annex F – State of play on the European Ombudsman's files

- F1: Overview of INFSO's files in relation to the European Ombudsman



Brussels,
INFSO-S2/GV/aa D(2007) 854673

NOTE FOR THE ATTENTION OF INFSO DIRECTORS

Subject: 4th meeting of the ICC Group: monitoring of INFSO actions in the context of risk management and internal control – progress report at 06.12.07

Reference: "First progress report from DG INFSO's "Internal Control Coordination Group", D(2007)827280 of 16.07.07

DG INFSO's "Internal Control Coordination Group" (ICC Group) has met a fourth time on 06.12.07 in order to assess the monitoring results for the actions in the context of risk management measures, internal control recommendations and suggestions for improving working methods.

I am pleased to be able to confirm that the implementation of those action plans appears to be in progress as intended. In some cases, parts of the action plan will continue into 2008. In addition, the monitoring of INFSO's most important risks, as identified at the end of 2006, confirms that our exposure to those risks is under control and/or has even been reduced (e.g. roaming and TVWF policies). *Any new risks signalled during this year (e.g. ENISA, JTI, REA, etc) will be assessed at the occasion of the next High-Level Risk Assessment (HLRA) and included in the next follow-up mandate.*

For your information, I highlight some examples of progress made below. You will find a full status overview in annex. *Furthermore, the 4 detailed underlying working documents are available on the ICC Group's dedicated intranet pages (see reference below).*

Important achievements made

- Successful FP7 start-up: e.g. local IT-tools adapted, rules and guidelines published
- Strengthening of INFSO's ex-post control function and of the Research DGs' common audit strategy: e.g. new audit strategy developed, strengthening of the external financial audits activities in progress (cf. dedicated reporting mechanism towards ABM Steering Committee and Audit Progress Committee)
- Set-up of central database for monitoring INFSO's inter-institutional reporting obligations, in order to avoid failures in meeting obligations resulting from secondary legislation vis-à-vis Parliament, Council and other institutions
- Analysis of EURid's contingency scenarios: e.g. verification of EURid's safety measures, analysis of the critical functions of the .eu registry, preparation of the registry contract renewal procedure

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- Strengthening of ENISA's administrative management: e.g. ENISA consults with DG INFSO on major procedural/administrative initiatives, ENISA evaluation report delivered
- Analysis of potential over-concentration of ICT funding: based on data from Call 1, a consensus was reached that there are no particular observation to be made on concentration of ICT funding with the top "funding receivers" (cf. the 'expected' universities, large research organisations, large companies). Residual risks with regard to the SMEs' co-financing capacity and/or correct status declaration are being taken up in the updated HLRA.

Similar to the first formal progress report from the ICC Group which fed into the mid-term Bi-annual Management Report (BMR) to the Commissioner, this progress report will feed into the end-of-year management reporting processes (AAR and BMR).

Walter Schwarzenbrunner

Appendix: Second progress report from DG INFSO's "Internal Control Coordination Group"

c.c.: F. Colasanti, P. Zangl, A. Peltomäki, C. Dewaleyne, Assistants;
members ICC Group, M. Moller, M. Fumerio;
A. Rauch, A. Vanroelen, G. Veldeman.



SECOND PROGRESS REPORT FROM DG INFSO's "INTERNAL CONTROL COORDINATION GROUP": MONITORING OF INFSO ACTIONS IN THE CONTEXT OF RISK MANAGEMENT AND INTERNAL CONTROL (STATUS 06.12.07)

Context

DG INFSO's "ICC Group", chaired by the General Affairs director (in his function as the DG's Internal Control Coordinator) and composed of permanent correspondents from all INFSO directorates, has met four times during 2007; on 26.04.07, 28.06.07, 18.10.07 and 06.12.07.

Its mandate includes the follow-up of 4 categories of actions:

- *INFSO's annual High-Level Risk Assessment exercise ("HLRA") by Senior Management;*
- *annual recommendations from the DG's Internal Control Co-ordinator ("ICC");*
- *suggestions received for the improvement of working methods in INFSO ("IWM");*
- *suggestions mentioned in the Directors' Management Reports ("DMR").*

State-of-play at 06.12.07

See next pages (4 lists)

Contact

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Available on the ICC Group's dedicated intranet-pages

4 detailed tables (working documents); 1 for each of the 4 categories of actions

1. Implementation of action plans for mitigating INFSO's major risks (status 06.12.07)

In the context of the 8 action plans for reducing INFSO's major risks, as identified in the 2006 HLRA, in 5 cases, the initially identified risks have been reduced by implementing the actions foreseen. In 3 cases, the actions in progress are partially to be continued during 2008.

Related to the "over-concentration of funding" risk, based on data from Call 1, a consensus was reached that there are no awkward surprises on concentration of ICT funding with the top "funding receivers" (cf. the 'expected' universities, large research organisations, large companies). Any residual risks can be covered by the audit strategy. Potential residual risks with regard to the SMEs' co-financing capacity and/or correct status declaration will be taken up in the next HLRA.

FP7 START-UP PROBLEMS Risk identified: FP7 start-up difficulties, due to delays in the availability of procedures and/or new IT tools Achievements made: local IT tools adapted, contingency plan for URF/PDM put in place (R3); rules and guidelines approved and published + helpdesk (S4) Steps to be finalised: none	Target = DEC 07 Unit = C5 Status = risk reduced to acceptable level Situation critical = no
PROCEDURAL RISKS FOR ENISA AND INABILITY TO PUT FORWARD POSITIVE PROPOSAL FOR ITS EXTENSION Risk identified: ENISA procedural risks due to poor administrative preparations; no positive proposal for the ENISA extension due to poor evaluation results Achievements made: ENISA consults with DG INFSO in advance on major procedural/administrative initiatives; ENISA evaluation report has been delivered Steps to be finalised: none <i>(*new ENISA-related risks will be included in the next HLRA exercise)</i>	Target = JAN 07 Unit = A3 Status = finalised <i>Initial(*) risk reduced</i>
UNAVAILABILITY OF .EU Risk identified: Unavailability of .eu in the DNS (domain name system) due to disruptions/discontinuity of registry operations Achievements made: (a) EURid contingency planning: verification whether the required safety measures have been implemented by EURid as stipulated in the Service Concession Contract (b) dot.eu contingency planning: analysis of the critical functions of the .eu registry (4 scenarios) + workshop (c) Registry contract renewal: see below Steps to be finalised: (a) EURid contingency planning: none (b) dot.eu contingency planning: preparing potential actions for approval by senior management (incl. level of service during transition in between registries; procedures for the continuity of the .eu registry activities in case of any type of failure) (c) Registry contract renewal: preparing Commission decision to extent or terminate the present Contract (cf. notification, by either party, between July and October 2008).	Target = DEC 07 Unit = A3 Status = in progress; partially to be continued Situation critical = no
RISK OF NOT MEETING REPORTING OBLIGATIONS Risk identified: Risk of not meeting certain reporting obligations resulting from secondary legislation vis-à-vis Parliament, Council and other institutions. Achievements made: central database which will be updated every three months - inputs from operational services requested for end-October; received until mid-November Steps to be finalised: none	Target = DEC 07 Unit = S3 Status = implemented Situation critical = no

<p>OVER-CONCENTRATION OF EU-FUNDING Risk identified: Concentration of EU-funding at some small and/or at a few major participants Achievements made: analysis, after the negotiations of Call 1, of the distribution of funding to different types of organisations with special attention to the top "funding receivers": all organisations with 10 or more participations in call 1 are either public (e.g. universities) organisations or large scale industries, with high operational and financial capacities, giving no indication of risk. Any residual risk can be addressed through on site audits of organisations with multiple participations in the frame of the DG INFSo's audit strategy (including checking any multiple cost claims for same FTEs). Steps to be finalised: none <i>(* However, potential residual risks with regard to the SMEs' co-financing capacity and/or correct status declaration will be taken up in the next HLRA)</i></p>	<p>Target = DEC 07</p> <p>Unit = C5</p> <p>Status = risk (*) reduced to acceptable level</p> <p>Situation critical = no</p>
<p>i2010 POLICY RISK Risk identified: (i) Insufficient i2010 impetus partly due to insufficient active involvement with MS on the Lisbon Strategy; (ii) "i2010 pillars" inter-dependency: delays in the take-up of new services due to (a) delays in the adoption of supportive regulatory environment and due to (b) the risk of not reaching and/or getting on board the 'right' stakeholders and actors in the IST and CIP programmes; (iii) MS confusion on i2010 targeted achievements Achievements made: (i) Publication of country profile of each MS (benchmark for adoption and implementation of ICT policy, incentive to improve take-up measures), better link with SG (more meetings) enabling a more direct input and feedback to the Lisbon strategy from DG INFSo (ii) The i2010 Annual Report includes as annex the i2010 List of actions, ensuring the monitoring of the actions which are delayed (iii) Streamlining and reporting mechanisms have been put in place Steps to be finalised: (i) Mid-Term review of i2010: MS have accepted to address their ICT implementation and the link with the National Reform Programmes through a Questionnaire (ii) Mid-Term review: direct consultation of stakeholders (iii) Better coordination within DG INFSo and with other DGs to clarify i2010 achievements</p>	<p>Target = DEC 07</p> <p>Unit = C1</p> <p>Status = in progress; partially to be continued</p> <p>Situation critical = no</p>
<p>NO LEGAL BASE TO STOP CONTRACT SIGNATURE FOR SUSPICIOUS ORGANISATIONS Risk identified: ... due to difficulty to motivate a refusal to sign a legitimately expected contract Achievements made: The FP7 LFV Rules foresee that entities subject to a warning W2 or W3 or W4 in the EWS shall undergo a financial capacity check. They will systematically be subject of a financial audit and other measures of reinforced monitoring during the implementation of their project. They should not assume the role of project coordinator. Negotiation & LFV training sessions include these provisions. However, the necessity of a case by case assessment will remain. Steps to be finalised: none</p>	<p>Target = DEC 07</p> <p>Unit = S4</p> <p>Status = implemented</p> <p>Situation critical = no</p>
<p>ERRORS IN FINANCIAL TRANSACTIONS Risk identified: Payment of non-eligible costs, due in particular to the complexity of the current reimbursement system based on actual costs, the limitations of the 'plausibility' checks and the limited assurance about the value of audit certificates in this context Achievements made / Steps to be finalised:</p>	<p>Target = DEC 07</p> <p>Unit = S5</p> <p>Status = in progress; partially to be continued</p>

<i>[A new common FP6 audit strategy has been developed, measures are underway for strengthening the ex post controls functions (external financial audits) within the Research DGs, a dedicated reporting mechanism (cf. ABM, APC) has been set up in this context]</i>	Situation critical = no
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2. Reinforced monitoring of other important INFSO risks (status 06.12.07)

The monitoring of other important INFSO risks, also identified in the 2006 HLRA but for which no additional actions could be taken, reveals that the existing controls are working as intended. Consequently, our exposure to these risks has not increased and, in 2 cases, has even been reduced.

EFFICIENCY LOSSES THROUGH OVERLAPS OF RESPONSIBILITIES FOLLOWING EXTERNALISATION Risk identified: Efficiency losses and dilution of responsibilities and accountability caused by externalisation to agencies under complex and inconsistent rules	Unit = S0 risk exposure = stable
AUDIOVISUAL POLICY RISK Risk identified: Risk of not modernising the TVWF policy (cf. non-linear services, liberalisation of advertising) due to the non-adoption of the legislative proposal on the revision of the TVWF => The Audiovisual Media Services Directive was adopted by the EP on 29 November 2007.	Unit = A1 <i>risk exposure = reduced (eliminated)</i>
ROAMING POLICY RISK Risk identified: Commission's initiatives being blocked by Council due to political pressure by certain MS and lobbying by telecom industry => On 30 June 2007, the EU Roaming Regulation has entered into force.	Unit = B0 <i>risk exposure = reduced (finalised)</i>
REGULATORY REVIEW POLICY RISK Risk identified: (i) Commission's initiatives and decisions jeopardized due to the development of the European Regulatory Group into an independent body; (ii) Not delivering Commission decisions in response to the notifications of the national measures (cf. "Article 7") within the binding deadlines	Unit = B0 risk exposure = stable
COMPLEXITY OF RULES Risk identified: Poor quality in programme implementation and project management, due to the complexity and uncertainty of procedures	Unit = C5 risk exposure = stable
DELAYED AVAILABILITY OF UPDATED IT SYSTEMS Risk identified: Potential delay in the deployment of efficient and user-friendly IT tools, due to the complexity of the IT architecture, lifecycle and governance	Unit = R3 risk exposure = stable

3. Recommendations from the Internal Control Coordinator: implementation of actions to improve the application of ICS in INFSO (status 06.12.07)

The action plans for implementing the Internal Control Coordinator's recommendations are, in 5 cases, implemented. In 3 cases, the actions in progress are partially to be continued during 2008.

SENSITIVE POSTS AND STAFFING/MOBILITY Recommendation: review DG INFSO's policy related to sensitive posts by examining possible mitigating measures (especially for POs managing FP7 projects) Steps taken: The DG INFSO implementation of compulsory mobility will be reviewed. More emphasis will be put on assessing the risk attached to posts, and on existing or potential mitigating measures to reduce risks to an acceptable level. Only in those instances where risks cannot be reduced to an acceptable level, or posts that are sensitive by their nature, posts will remain subject to compulsory mobility. This different approach should allow (AD) staff to stay longer than 5 years in a particular job. Steps to be finalised: In order to take into account as well the (announced) new guidance by ADMIN-SG-BUDG on sensitive posts, the target date is adjusted to 03.2008.	Target = MAR 08 <i>(adjusted from OCT 07)</i> Unit = R1 Status = in progress; to be continued Situation critical = no
RISK MANAGEMENT Recommendation: ensure that the results of DG INFSO's 2006 High-Level Risk Assessment (HLRA) exercise are followed up and implemented effectively Steps taken: HLRA follow-up included in the ICC Group's mandate (HLRA mandates + reinforced monitoring) Steps to be finalised: none (<i>but: HLRA is an annual exercise</i>)	Target = APR 07 Unit = S2 <i>Status = finalised</i>
DOCUMENT MANAGEMENT Recommendation: ensure that the gradual uptake of electronic filing (above 80% at DG level by end-2006) will increase further during 2007 Steps taken: continuing to monitor and publish filing rates (per directorate) on a monthly basis Steps to be finalised: none	Target = JAN 07 Unit = S1 <i>Status = finalised</i>
PROTECTION OF PERSONAL DATA Recommendation: increase staff's awareness for the implementation of the Data Protection regulation, e.g. via a dedicated information campaign Steps taken: training for INFSO staff (2 workshops (FR/EN) on DP & meetings done); presentations to Directorates' meetings (A & D done) Steps to be finalised: bilateral & regular meetings with Local data protection Correspondents (to be continued as LdpC changed), presentation to Network of Comitology coordinators, presentation to Network of web-publishers	Target = DEC 07 Unit = S2 Status = in progress; to be continued Situation critical = no
BUSINESS CONTINUITY PLAN Recommendation: DG INFSO should have established, communicated/stored and tested an overall Business Continuity Plan Steps taken: Establishment and communication of the DG INFSO Business Continuity Plan has been done. Testing and up-dating (of IT disaster recovery plan part) has been done. Steps to be finalised: none (testing and up-dating: to be continued on a regular basis) <i>A review and update of the DG INFSO BCP is scheduled, following the Commission-wide business continuity exercise which took place in December 2007.</i>	Target = MAR 07 Unit = R0 <i>Status = finalised</i>
IAC QUALITY REVIEW – RECOMMENDATIONS Recommendation: Following the IAS' Quality Review of DG INFSO's Internal Audit Capability (IAC), the 6 recommendations are to be implemented Steps taken: the 6 recommendations have been implemented Steps to be finalised: none	Target = MAR 07 Unit = 01 <i>Status = finalised</i>
EXCEPTIONS RECORDING AND REPORTING	Target = DEC 07

<p>Recommendation: Review and clarification of the current procedures of recording and reporting of exceptions (taking into account the new "iFlow" tool for electronic workflow and file-tracking, which will embed an exception reporting feature)</p> <p>Steps taken:</p> <ul style="list-style-type: none"> - DMRs: strengthening the horizontal monitoring and follow-up of the reported exceptions, stressing the need to maintain a registry at the level of the director of all exceptions (over-rulings and deviations) in the directorate plus their justifications - current procedures of recording and reporting of exceptions reviewed and clarified: new instructions applicable as from 01.01.08, taking into account revised "ICS-2008" <p>Steps to be finalised: none</p>	<p>Unit = S2</p> <p>Status = implemented</p> <p>Situation critical = no</p>
<p>PUBLIC PROCUREMENT PROCESS</p> <p>Recommendation: finding a way for a better tracking of Public Procurement files, e.g. by using "iFlow" for administrative expenditure processes as well.</p> <p>Steps taken: this recommendation (on the IT-aspects of the PP process) will be implemented within the mandate for a structural review of INFSO's public procurement procedures (operational units and horizontal support) – see related CPP-suggestion below.</p> <p>Steps to be finalised: none – <i>see related CPP-suggestion below.</i></p>	<p>Target = DEC 07</p> <p>Unit = R2</p> <p>Status = transferred</p> <p>Situation critical = no</p>
<p>FOLLOW-UP TOOL</p> <p>Recommendation: further developing an efficient and effective 'tracking system' for all audit and other recommendations involving DG INFSO (IAS, IAC, ECA, risks/controls - except ARPS)</p> <p>Steps taken: The IAS is now offering the DGs the possibility to order AMS licences for registration, follow-up and reporting of any type of recommendations/action plans (beyond the IAS recommendations). INFSO's IAC is already systematically using AMS for registration of new recommendations and intends to progressively integrate all the audit related documents in the system.</p> <p>Steps to be finalised: arrange with the IAS the ordering of AMS licences for the follow-up of recommendations and action plans issued from the Court of Auditors' and risk assessment/control exercises</p>	<p>Target = DEC 07</p> <p>Unit = S2</p> <p>Status = in progress; to be continued</p> <p>Situation critical = no</p>

4. Suggestions for the improvement of working methods: implementation of selected actions (status 06.12.07)

4 of the 5 action plans for implementing the selected suggestions are still in progress, and will have to be continued during 2008. In 1 case, the improvement is implemented.

SUBSCRIPTIONS TO PERIODICALS Suggestion made: Centralisation of subscriptions would allow for economies of scale through a systematic and professional approach. Steps taken: Requests from staff collected; collection of Web feeds; contacts with ECFIN and ENV Libraries to avoid overlapping collections; survey within the INFSO directorates on their information needs for periodicals (initiated) Steps to be finalised: Centralisation of subscriptions, as it is done for most of the EC Libraries belonging to RéseauBIB	Target = DEC 07 Unit = C4 Status = in progress; to be continued Situation critical = no
EXPENSES - DRINKS FOR MEETINGS Suggestion made: Decentralisation: Meetings not involving expenses other than drinks should not be sent to Unit R2 Steps taken: R2 has implemented a simplified procedure for files involving only expenses for drinks ordered via PRESTO. R2 verification on those files is eliminated. Steps to be finalised: none	Target = DEC 07 Unit = R2 Status = implemented Situation critical = no
PUBLIC PROCUREMENT - CPP PROCEDURE Suggestion made: Simplification of CPP procedures Steps taken: A mandate for setting up a working group (comprising staff from operational units and horizontal units R2 and S4) in charge of a structural review of INFSO's CPP procedures (operational units and horizontal support) has been approved Steps to be finalised: In the meantime, at its 3rd meeting of 6 DEC, the working group finalised its draft report. By end-2007, the final report will have been submitted to Senior Management for decision.	Target = DEC 07 Unit = S2, R2, S4 Status = finalised (by end-2007); <i>suggestions submitted for decision</i> Situation critical = no
COMMUNICATION WITH CABINET Suggestion made: When urgent feedback/information at political level needs to be relayed, some kind of arrangement for enabling more rapid communication with the Cabinet is advisable Steps taken: Part of conclusions and action plan related to the "better Cabinet briefings" campaign (cf. last year), e.g. trainings. Steps to be finalised: An IT tool facilitating the flow and stock of such documents (cf. DG TREN) is being analysed for implementation in DG INFSO.	Target = DEC 07 Unit = R1 Status = in progress (?); action appears to be discontinued Situation critical = no
COST-BENEFIT BALANCE OF CONTROLS Suggestion made: reconsider the number/complexity of control measures in place; rebalance the resources dedicated to controls, in comparison with the resources dedicated to actual operations Steps taken: The Commission's +DAS Action Plan includes a cost/benefit analysis of current control layers (INFSO is a pilot DG for the project) Steps to be finalised: any resulting conclusions might lead to a potential re-balancing between the number/complexity of control measures in place and the amount of resources dedicated to such controls, in comparison with the resources dedicated to actual operations	Target = DEC 07 Unit = S2 Status = in progress; conclusions from BUDG unlikely to lead to concrete actions soon Situation critical = no

Overview status of Recovery orders up to 31.12.2007

Recovery Type	Balance 01/07/2007		New RO 2007		Cashed or compensated 2007 *	Waived 2007*	Cancelled 2007*	Balance 31/12/2007		Estimated amounts / nbr to be waived in the future	
	Nr	amount	Nr	amount				Nr	amount		
Implemting CoA Audits	4	600.517	0	0	14.419	0	0	4	586.098	3	240.801
Financial Audit	50	3.340.694	49	2.298.062	1.814.731	46.838	37.574	51	3.739.614	1	32.510
Final Payment	46	4.413.668	14	333.369	116.146	618.907	10.125	37	4.001.858	9	815.860
Liquidation/bankruptcy	17	2.961.231	3	209.798	106.327	324.323	0	19	2.740.379	19	2.740.379
Contract Termination	6	3.179.661	0	0	0	66.125	0	5	3.113.536	1	2.367.521
Other/divers	2	56.874	6	14.532.900	14.542.943	0	0	1	46.831		
Grand Total	125	14.552.644	72	17.374.130	16.594.566	1.056.192	47.699	117	14.228.316	33	6.197.071

* some recoveries were partially paid, waived or cancelled but are still open

Attribution by service - open recovery orders at 31/12/2007		
	Nr	amount
INFSO-A2	1	750.000
INFSO-H	3	355.699
INFSO-R2	5	191.991
Sub total	9	1.297.690

DG BUDG	45	2.424.971
Legal Service (1)	49	7.782.319
LS/OLAF/BUDG	1	654.249
OLAF	1	380.000
Sub total	96	11.241.539
Liquidator (2)	12	1.689.087
Sub total	12	1.689.087
Total	117	14.228.317

1 Procedure for forced recovery in progress

2 file to be followed-up with liquidator

Annex 2 - DG INFSO's 2007 High-Level Risk Assessment (HLRA) - DG INFSO's "borderline risks" 2008

final version 3b – 14.01.08

i.e. risks deemed important by some directorates but for which it has been suggested to continue the line management measures on a lower level

Risk Nr + ref. risk registers + Dir(s)	Risk description potential consequence(s) and root cause(s)	Risk type(s) "Very important"? = 'critical'(b) ? 'cross-cutting'(c) ?	Main existing controls or mitigating factors	Residual risk level	Action scope Potential for additional action by INFSO during 2008, if any	Risk response "Continued line management" = actions and/or monitoring by Directorates concerned; reporting via DMRs
MEDIA – 1 <i>Audiovisual Policy and MEDIA Programme</i> <i>CARRIED OVER</i>	MEDIA Considerable workload increase for the MEDIA Unit (incl. pending MEDIA II files) and consequently existing and/or new tasks not possible to be achieved or only with delays, <u>due to</u> : - lack of sufficient resources in terms of quantity and skills; - inadequate MIS data being available	Operational, reputational	- resources: recruitment ongoing (but difficult, cf. EU-10) - Symmetry and Business Objects: deployment by DG EAC	MEDIUM / LOW	LOW None Monitoring (BO developments for MIS purposes)	Continued line management
Audiovisual -1 <i>Audiovisual Policy and MEDIA Programme</i> <i>CARRIED OVER</i>	AUDIOVISUAL POLICY Delayed and/or weak Audiovisual Policy law enforcement (cf. constant infringement of quantitative and/or qualitative advertising rules) <u>due to</u> the dependency on the contribution and services by external partners (providing MS monitoring reports).	Operational reputational, regulatory–legal, financial	Close monitoring of contractors Limited impact if advertising will be liberalised anyway	MEDIUM / LOW	LOW None	Continued line management
ICT-7 <i>Cooperation – ICT</i> <i>NEW SCOPE</i>	ICT PROGRAMME IMPLEMENTATION Delays in the implementation of FP7 and legacy activities <u>due to</u> the reduction of resources as such and those available to the programme activities , because of : - the overall reduction and transfer of staff, - the change of management, - the renewal of contracts for CA,	organisational	Line management	MEDIUM / LOW	LOW - 2008: review of approach to the re-allocation of available resources to programme and administrative functions - Medium-Term: Reflect on a new	Continued line management

			adopted by DG INFSO			
SUPP-4 <i>Resources and Horizontal Support & Coordination</i> <i>NEW SCOPE</i>	PAYMENT EXECUTION DELAYS AND INTERESTS DUE Delays in payment execution and mandatory interests due , due to (i) an unplanned number of FP6 audit results to be implemented (requiring resources to be diverted to ensure their implementation) and/or due to (ii) an increasing number of OLAF investigations (lengthy processes blocking payments in a non-transparent way).	Operational, reputational, legal, financial CROSS-CUTTING	None	MEDIUM / LOW	MEDIUM (i) Predictability on the number of audit reports affecting the regular operations of directorates. Audit planning to take place to mitigate the operational risks (ii) Improve communications with OLAF (exchange of timetables, service level agreement) + Suggest a clear 'charter', e.g. 'allowing' the DG to end negotiations with ex-frauds	Continued line management

Annex 3 - DG INFSO's 2007 High-Level Risk Assessment (HLRA) - DG INFSO's "critical risks" 2008 ^(b)

for annex to DG INFSO's 2008 Annual Management Plan (AMP)

final version 3 – 14.01.08

[incl. "cross-cutting risks" ^(c) for further analysis by SG/BUDG]

As foreseen in the Commission-wide risk management framework (aiming at a coherent application of ICS-11), DG INFSO's 2007 High Level Risk Assessment (HLRA) exercise has covered all the DG's 2008 AMP objectives. Similar to the previous year (cf. INFSO's fairly stable multi-annual programming environment), the exercise was organised along the lines of the ABB-structure, which arranges the "activities" of DG INFSO's policy area into 6 clusters:

- *i2010 - Electronic Communications Policy and Network Security (Dirs. A, B) – "ECP&NS";*
- *i2010 - Audiovisual Policy and MEDIA Programme (Dir. A) – "Audiovisual" and "MEDIA";*
- *i2010 - Cooperation - ICT (Dirs. C, D, E, F, G, H) – "ICT";*
- *Capacities - Research Infrastructures (Dir. F) – "Infra";*
- *i2010 ICT Take-Up (Dirs. C, H) – "ICT Take-Up";*
- *Resources and Horizontal Support & Coordination (Dirs. R, S) – "SUPP" [combination of 4 administrative budget chapters].*

The process was based on bottom-up inputs from the INFSO Directorates (one for each cluster in which they are involved), which were consolidated into DG INFSO's "risk register" (6 chapters) and approved by the members of DG INFSO's Internal Control Coordination Group (ICC Group meeting of 06.12.07).

Out of the risks reported, a consolidated set of the DG's **10 "top risks"** ^(a) (residual risk level of 6 or above) has been selected. In function of (i) political/reputational importance, (ii) residual risk level and (iii) scope for further risk reduction actions by DG INFSO during 2008, the appropriate risk management mode will be applied: (a) dedicated action plan; (b) reinforced monitoring; or (c) continued line management. Similar to last year, the relevant risk management mandates will be assigned to and elaborated by the unit(s) in charge - via the ICC Group which will also monitor the risks and the progress made during 2008.

The INFSO 2007 HLRA has been endorsed by DG INFSO's Senior Management (cf. INFSO Directors Meeting of 14.01.08). From the "top risks", **4 "very important risks" (cf. political/reputational exposure) have been labelled as INFSO's "critical risks" and are reported in annex to DG INFSO's 2008 AMP**. Finally, as requested as from the 2008 AMP as well, DG INFSO will prioritise 3 "key" ICS themes on which it will focus its 2008 improvement actions towards increased effectiveness of the controls put in place (see pre-selection on last page – will be integrated in the upcoming "annual recommendations from the Internal Control Coordinator").

References:

- *"Towards an effective and coherent risk management in the Commission services", SEC(2005)1327 of 20.10.05*
- *"High-Level Risk Assessment exercise 2007", INFSO-S2 D(2007)847419 of 19.11.07*
- *"Finalisation of DG INFSO's 2007 High-Level Risk Assessment exercise at INFSO Directors Meeting", INFSO-S2 D(2007)854060 of 03.01.08*

^(a) DG INFSO's "top" risks have been selected out of the overall "risk register", which consists of 6 chapters (i.e. one for each ABB-cluster of activities – 6 base files available at S2).

^(b) In the Commission, a risk should be considered "critical" if it can: endanger the realisation of a major policy objective; cause serious damage to the Commission's partners (Member States, companies, citizens, etc.); result in critical intervention at political level (Council/Parliament) regarding the Commission's performance; result in infringement of laws and regulations; result in material financial loss; put the safety of the Commission's staff at stake; or in any way seriously impact the Commission's image and reputation.

^(c) "Cross-cutting" risks are defined as "risks that affect or otherwise concern more than one DG, which may require alternative management arrangements (outside the individual DG) to be addressed effectively and efficiently". The management of cross-cutting risks completes the process which deals with risk management at DG-level.

DG INFSO's "critical risks"

version 14 JAN 2008

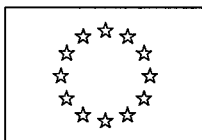
Risk Nr + ref. risk registers + Dir(s)	Risk description	Risk type(s)	Main existing controls or mitigating factors	Residual risk level	Action scope	Risk response
	potential consequence(s) and root cause(s)	<i>"Very important"?</i> = 'critical'(b) ? 'cross-cutting'(c) ?		Likelihood + Impact, after existing controls (0->5) + (0->5)	Potential for additional action by INFSO during 2008, if any <i>To be elaborated via ICC Group (early 2008)</i>	- To be reduced <i>or</i> - Accepted and to be monitored
2 ECP&NS-6 <i>Electronic Communications Policy and Network Security</i> <i>NEW SCOPE</i>	TELECOM REGULATION - Risk of the Commission's Electronic Communications Package review proposal being modified by Council and/or EP in a way which would make it unacceptable for the Commission (in particular as regards key elements such as the creation of ECMA, functional separation, spectrum policy) - Risk of weak "roaming" enforcement (effective actions against infringements)	Regulatory, operational, reputational <i>"very important"</i> = CRITICAL	Continuous close follow-up in weekly conjunction with Cabinet; extra actions if/as needed	MEDIUM 4 + 3 = 7	LOW none	Accepted and to be monitored
3 ECP&NS-7 <i>Electronic Communications Policy and Network Security</i> <i>CARRIED OVER</i>	SPECTRUM POLICY - MS reluctance to accept a Commission lead (as foreseen in the legal basis) on spectrum policy , <u>due to</u> the Commission's risk of not delivering quality and qualification (still in the phase of acquiring and demonstrating competence) - Concrete radio spectrum policy measures (such as harmonisation) paralysed <u>due to</u> : <ul style="list-style-type: none"> review of the regulatory framework, although the legal basis for radio spectrum policy is formally not under review; inter-institutional negotiations on comitology; new comitology procedures being unduly burdening and delaying. 	Reputational, operational <i>"very important"</i> = CRITICAL	Continuous close follow-up; extra actions if/as needed	MEDIUM 3 + 3 = 6 4 + 3 = 7	LOW none	Accepted and to be monitored

<p>5 ICT-3 <i>Cooperation – ICT</i> <i>NEW</i></p>	<p>JTIs Operational (*) risks related to the set-up of JTIs Loss of the funding contribution share to be made available by the MS <u>due to</u> the delay or cancellation of the calls launched by JTIs (ARTEMIS & ENIAC) foreseen in the interim period (2008-09) until the operational start of the Joint Undertakings (JUs). These calls will in fact have to be managed still by the EC. <i>(*) for horizontal issues related to JTI, JU, Art 169, etc – see risk SUPP-7</i></p>	<p>Reputational, organisational, operational, financial <i>"very important" = CRITICAL</i> CROSS-CUTTING</p>	<p>Detailed implementation Roadmap Intensive follow-up by weekly supervision at senior management level and with Cabinet to monitor the progress and review as needed</p>	<p>MEDIUM 4 + 3 = 7</p>	<p>MEDIUM Continuous close follow-up; extra actions if/as needed</p>	<p>Accepted and to be monitored</p>
<p>7 SUPP-2 <i>Resources and Horizontal Support & Coordination</i> <i>CARRIED OVER</i></p>	<p>ERRORS IN ICT COST CLAIMS Payment of non-eligible costs linked to a high frequency of errors in cost claims by beneficiaries <u>due in particular to:</u> - the complexity of the current reimbursement system based on actual costs, - the limitations of the 'plausibility' desk verifications, - the limited assurance provided by the audit certificates in FP5 and FP6, - the beneficiaries' setting up of methodologies in order to cope with EC's contractual expectations which might result being erroneous and produce unreliable and difficult to control results.</p>	<p>Financial, legal, reputational, operational <i>"very important" = CRITICAL</i> CROSS-CUTTING <i>PS: recurrent reservation in the DG's AAR</i></p>	<p>(1) Financial Guidelines for Beneficiaries and for staff (2) Audit Certificates (3) Implementation of FP6 audit strategy - increased number of external audits (4) Extrapolation of systematic errors detected to non-audited contracts (5) Follow up audits/ application of penalties (6) Simplification measures pursued in FP7 (in particular the implementation of the certification on the methodology and the use of agreed upon procedures in the certification).</p>	<p>MEDIUM 3 + 4 = 7</p>	<p>LOW FP6 and FP7 related action plans are in progress (early phase); to be continued to achieve cruising speed in 2008/09.</p>	<p>Accepted and to be monitored</p>

INFSO's 2008 AMP – Internal Part – Demonstration of effectiveness relating to the implementation of certain ICS

Pre-selection of ICS for which DG INFSO wishes to place emphasis on evaluating the effectiveness of the controls put in place

<i>ICS</i>	<i>Brief description of the context</i>
3. Staff Allocation and Mobility + 7. Operational Structure	Revision of sensitive functions policy <ul style="list-style-type: none">• Where sensitive functions have been removed and allocated to a different member of staff, is management satisfied that the risks involved have been effectively mitigated?• Where additional mitigating controls have been put in place, is management satisfied that these controls are effective and that the risks involved have been reduced to an acceptable level (considering impact and likelihood of the risk)?• Do results of the supervisory activities, audit reports or other relevant sources suggest that there could be failings or issues associated with the DG's sensitive functions?• Is the number of sensitive functions that require mandatory staff mobility reasonable? The cost of excessive mandatory staff mobility (negative impact on operations) may outweigh the benefits (reduced risk of conflict of interest and fraud).
8. Processes and Procedures + 11. Document Management + 12. Information and Communication	Data protection <ul style="list-style-type: none">• Are arrangements in place to ensure data protection is applied to manual processes?• Document management systems and related procedures comply with relevant compulsory security measures, provisions on document management and rules on protection of personal data.• Data management systems and related procedures comply with relevant Information Systems Policy, compulsory security measures and rules on protection of personal data.
10. Business Continuity	Effectiveness of INFSO's BCP (beyond the already existing IT Disaster Recovery Plan); to be decided after the evaluation of the recent BCP test exercise (05.12.07) <ul style="list-style-type: none">• Cf. "Business Continuity Plans are in place to ensure that the Commission is able to continue operating to the extent possible whatever the nature of a major disruption" and related requirements.



EUROPEAN COMMISSION
Information Society and Media Directorate-General

The Director General

Brussels, **05 11 2008**
INFSO-S2/GV/cf D(2008) 902162

NOTE FOR THE ATTENTION OF THE INFSO DIRECTORS

Subject: DG INFSO's 2007 High-Level Risk Assessment exercise: documents as endorsed at INFSO Directors Meeting of 14.01.08

*References: "High-Level Risk Assessment exercise 2007", INFSO-S2 D(2007)847419 of 19.11.07;
"Finalisation of DG INFSO's 2007 High-Level Risk Assessment exercise at INFSO Directors Meeting", INFSO-S2 D(2007)854060 of 03.01.08.*

Further to the notes launching DG INFSO's 2007 High-Level Risk Assessment exercise and presenting its results for discussion at the INFSO Directors' meeting, please find in annex the final versions of the HLRA documents which take into account the suggestions and decisions made during our meeting of 14.01.08.

In annex 1, you will find DG INFSO's identified high-level top risks for 2008. In annex 2, some borderline case risks are listed, i.e. risks deemed important by some directorates but for which nevertheless it has been suggested to continue the line management measures on a lower level only ⁽¹⁾. In annex 3, those risks that have been confirmed as being "Very Important" have been extracted from annex 1 and tabled separately as DG INFSO's "critical risks" to be annexed to the INFSO 2008 Annual Management Plan (AMP).

Similar to last year, the relevant risk management mandates will be assigned to and elaborated by the unit(s) in charge - via the Internal Control Coordination Group (ICC Group) which will also monitor the risks and the progress made during 2008. I have asked Walter Schwarzenbrunner as chairman of the ICC Group to report back to the regular Directors' meetings on the follow-up, on actions taken and in particular in case of any new concern identified.

Fabio Colasanti

⁽¹⁾ actions and/or monitoring at Directorate level, reporting in the DMR

Annex 1 - DG INFSO's 2007 High-Level Risk Assessment (HLRA) - DG INFSO's "top risks" 2008 (a) *final version 3 – 14.01.08*
incl. "critical risks"(b) for annex to DG INFSO's 2008 Annual Management Plan (AMP)
[incl. "cross-cutting risks"(c) for further analysis by SG/BUDG]

As foreseen in the Commission-wide risk management framework (aiming at a coherent application of ICS-11), DG INFSO's 2007 High Level Risk Assessment (HLRA) exercise has covered all the DG's 2008 AMP objectives. Similar to the previous year (cf. INFSO's fairly stable multi-annual programming environment), the exercise was organised along the lines of the ABB-structure, which arranges the "activities" of DG INFSO's policy area into 6 clusters:

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- *i2010 - Cooperation - ICT (Dirs. C, D, E, F, G, H) – "ICT";*
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- *i2010 ICT Take-Up (Dirs. C, H) – "ICT Take-Up";*
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The process was based on bottom-up inputs from the INFSO Directorates (one for each cluster in which they are involved), which were consolidated into DG INFSO's "risk register" (6 chapters) and approved by the members of DG INFSO's Internal Control Coordination Group (ICC Group meeting of 06.12.07).

Out of the risks reported, a consolidated set of the DG's **10 "top risks"** (residual risk level of 6 or above) has been selected. In function of (i) political/reputational importance, (ii) residual risk level and (iii) scope for further risk reduction actions by DG INFSO during 2008, the appropriate risk management mode will be applied: (a) dedicated action plan; (b) reinforced monitoring; or (c) continued line management. Similar to last year, the relevant risk management mandates will be assigned to and elaborated by the unit(s) in charge - via the ICC Group which will also monitor the risks and the progress made during 2008.

The INFSO 2007 HLRA has been endorsed by DG INFSO's Senior Management (cf. INFSO Directors Meeting of 14.01.08). From the "top risks", **4 "very important risks" (cf. political/reputational exposure) have been labelled as INFSO's "critical risks" and are reported in annex to DG INFSO's 2008 AMP**. Finally, as requested as from the 2008 AMP as well, DG INFSO will prioritise 3 "key" ICS themes on which it will focus its 2008 improvement actions towards increased effectiveness of the controls put in place (see pre-selection on last page – will be integrated in the upcoming "annual recommendations from the Internal Control Coordinator").

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(a) DG INFSO's "top" risks have been selected out of the overall "risk register", which consists of 6 chapters (i.e. one for each ABB-cluster of activities – 6 base files available at S2).

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(c) "Cross-cutting" risks are defined as "risks that affect or otherwise concern more than one DG, which may require alternative management arrangements (outside the individual DG) to be addressed effectively and efficiently". The management of cross-cutting risks completes the process which deals with risk management at DG-level.

Risk Nr + ref. risk registers + Dir(s)	Risk description potential consequence(s) and root cause(s)	Risk type(s) "Very important"? = 'critical'(b) ? 'cross- cutting'(c) ?	Main existing controls or mitigating factors	Residual risk level Likelihood + Impact, after existing controls (0->5) + (0->5)	Action scope Potential for additional action by INFSO during 2008, if any <i>To be elaborated via ICC Group (early 2008)</i>	Risk response - To be reduced or - Accepted and to be monitored
1 ECP&NS-2 <i>Electronic Communications Policy and Network Security</i> <i>NEW SCOPE</i>	ENISA Risk of discontinuity of ENISA <u>due to</u> lack of legal basis after March 2009, whilst ECMA not yet in place (transition decision to be taken before end of 2008)	Reputational, operational, regulatory	Proactive involvement in preparation of the decision Improved cooperation via unit S3	MEDIUM 3 + 4 = 7	MEDIUM Continuous close follow-up of ENISA's transition issues and ECMA developments; extra actions if/as needed	Accepted and to be monitored
2 ECP&NS-6 <i>Electronic Communications Policy and Network Security</i> <i>NEW SCOPE</i>	TELECOM REGULATION - Risk of the Commission's Electronic Communications Package review proposal being modified by Council and/or EP in a way which would make it unacceptable for the Commission (in particular as regards key elements such as the creation of ECMA, functional separation, spectrum policy) - Risk of weak "roaming" enforcement (effective actions against infringements)	Regulatory, operational, reputational "very important" = CRITICAL	Continuous close follow-up in weekly conjunction with Cabinet; extra actions if/as needed	MEDIUM 4 + 3 = 7	LOW none	Accepted and to be monitored
3 ECP&NS-7 <i>Electronic Communications Policy and Network Security</i> <i>CARRIED OVER</i>	SPECTRUM POLICY - MS reluctance to accept a Commission lead (as foreseen in the legal basis) on spectrum policy , <u>due to</u> the Commission's risk of not delivering quality and qualification (still in the phase of acquiring and demonstrating competence) - Concrete radio spectrum policy measures (such as harmonisation) paralysed <u>due to</u> :	Reputational, operational "very important" = CRITICAL	Continuous close follow-up; extra actions if/as needed	MEDIUM 3 + 3 = 6 4 + 3 = 7	LOW none	Accepted and to be monitored

	<ul style="list-style-type: none"> review of the regulatory framework, although the legal basis for radio spectrum policy is formally not under review; inter-institutional negotiations on comitology; new comitology procedures being unduly burdening and delaying. 					
4 MEDIA – 2 <i>Audiovisual Policy and MEDIA Programme</i> <i>NEW SCOPE</i>	MEDIA/EACEA Difficulties in achieving execution of the MEDIA Programme, <u>if</u> the EACEA's mandate fails to be extended to cover previous programmes (cf. MEDIA II).	Operational, reputational	Decision on extension of mandate prepared, but not yet launched by DG EAC INFSO/A2 and INFSO.R2 temporarily taking over parts of workflow for MEDIA II files	MEDIUM 4 + 3 = 7	MEDIUM Negotiation with EAC and AIDCO to agree on a separate mandate change to be launched as soon as possible for the inclusion of MEDIA II in the mandate of the EACEA	To be reduced
5 ICT-3 <i>Cooperation – ICT</i> <i>NEW</i>	JTIs Operational (*) risks related to the set-up of JTIs Loss of the funding contribution share to be made available by the MS <u>due to</u> the delay or cancellation of the calls launched by JTIs (ARTEMIS & ENIAC) foreseen in the interim period (2008-09) until the operational start of the Joint Undertakings (JUs). These calls will in fact have to be managed still by the EC. (*) for horizontal issues related to JTI, JU, Art 169, etc – see risk SUPP-7	Reputational, organisational, operational, financial "very important" = CRITICAL CROSS-CUTTING	Detailed implementation Roadmap Intensive follow-up by weekly supervision at senior management level and with Cabinet to monitor the progress and review as needed	MEDIUM 4 + 3 = 7	MEDIUM Continuous close follow-up; extra actions if/as needed	Accepted and to be monitored
6 SUPP-1 <i>Resources and Horizontal Support & Coordination</i> <i>CARRIED OVER</i>	HUMAN RESOURCES Quality and efficiency of the DG's operational performance affected by human resources issues <u>due to</u> : <ul style="list-style-type: none"> difficulties to <u>recruit</u> staff: because of competitive disadvantages compared to other DGS (due to BU-location, job profiles, forced mobility policy) transfer of research posts to DG ENTR, RTD and TREN related to the multi-annual redeployment of research posts under FP7 	Operational + reputational	Line management	MEDIUM 4 + 3 = 7	MEDIUM <ul style="list-style-type: none"> Mobility policy related to sensitive posts will undergo revision based on recently adopted revised ICS and modified ADMIN guidelines expected early 2008 (focus on mitigating measures for de-sensitising functions). Improved implementation of redeployment through better co-ordination and 	To be reduced

	<ul style="list-style-type: none"> high <u>dependency</u> on external IT experts (end of Framework Contracts) and high <u>turnover</u> of contractual AST staff (short term contracts). 				<p>planning</p> <ul style="list-style-type: none"> Improve IT documentation and communication to avoid/limit dependency on key people. 	
<p>7</p> <p>SUPP-2</p> <p><i>Resources and Horizontal Support & Coordination</i></p> <p><i>CARRIED OVER</i></p>	<p>ERRORS IN ICT COST CLAIMS</p> <p>Payment of non-eligible costs linked to a high frequency of errors in cost claims by beneficiaries <u>due in particular to:</u></p> <ul style="list-style-type: none"> - the complexity of the current reimbursement system based on actual costs, - the limitations of the 'plausibility' desk verifications, - the limited assurance provided by the audit certificates in FP5 and FP6, - the beneficiaries' setting up of methodologies in order to cope with EC's contractual expectations which might result being erroneous and produce unreliable and difficult to control results. 	<p>Financial, legal, reputational, operational</p> <p><i>"very important"=</i> CRITICAL</p> <p>CROSS-CUTTING</p> <p><i>PS: recurrent reservation in the DG's AAR</i></p>	<p>(1) Financial Guidelines for Beneficiaries and for staff</p> <p>(2) Audit Certificates</p> <p>(3) Implementation of FP6 audit strategy - increased number of external audits</p> <p>(4) Extrapolation of systematic errors detected to non-audited contracts</p> <p>(5) Follow up audits/ application of penalties</p> <p>(6) Simplification measures pursued in FP7 (in particular the implementation of the certification on the methodology and the use of agreed upon procedures in the certification).</p>	<p>MEDIUM</p> <p>3 + 4 = 7</p>	<p>LOW</p> <p>FP6 and FP7 related action plans are in progress (early phase); to be continued to achieve cruising speed in 2008/09.</p>	<p>Accepted and to be monitored</p>
<p>8</p> <p>SUPP-3</p> <p><i>Resources and Horizontal Support & Coordination</i></p> <p><i>NEW SCOPE</i></p>	<p>SME FUNDING</p> <p>Funding of individual (micro) SMEs from one or more sources within the DG and/or across DGs, which may conflict with their actual co-funding capacity.</p>	<p>Reputational, legal, financial</p> <p>CROSS-CUTTING</p>	<ul style="list-style-type: none"> - Financial Viability checks (FP6) - Financial co-responsibility (FP6) - Guarantee fund (FP7) - FP7 upper funding limits (75% and 60%) reducing co-funding needs 	<p>MEDIUM</p> <p>3 + 4 = 7</p>	<p>MEDIUM</p> <p>Preventive: extended analysis of available data with regard to identifying the potentially weak financial capacity of organisations</p> <p>Detective: monitoring of SMEs' cumulative financing throughout the FP life cycle calls</p> <p>Corrective: adapt the risk-based part of the audit strategy in that respect</p>	<p>To be reduced</p>

<p>9 SUPP-5 <i>Resources and Horizontal Support & Coordination</i> <i>CARRIED OVER</i></p>	<p>IT SYSTEMS Reliability of current IT tools and potential delay in the deployment of efficient and user-friendly RDGs common IT tools, due to the complexity of the IT architecture, lifecycle and governance</p> <p><i>cf. number of actors and systems involved (Research DGs, DIGIT, BUDG, SG, Agency, subcontractors) and the evolving scenario being planned (deployment of common IT tools such as URF/PDM, NEF and the Participant Portal; incidence on DG INFSO back office systems)</i></p>	<p>Operational + reputational</p> <p>CROSS-CUTTING</p>	<p>IT Steering Committee</p> <p>Research DG's IT supervisory board.</p> <p>IT Project Steering Committee (ITPSC)</p> <p>IT Project Office (ITPO)</p> <p>IT Disaster Recovery Plan</p>	<p>MEDIUM</p> <p>5 + 2 = 7</p>	<p>MEDIUM</p> <p>- Monitoring of ITPO deliverables. - Involvement of local IT units (e.g. INFSO-R3) in the development and deployment of common IT solutions. - "Sherpa Group" as independent high level monitoring mechanism. - INFSO-specific IT back-up scenarios for the 'common' RDGs applications.</p>	<p>Accepted and to be monitored</p>
<p>10 SUPP-7 <i>Resources and Horizontal Support & Coordination</i> <i>NEW SCOPE</i></p>	<p>EXTERNALISATION</p> <p>Risk of efficiency losses and overlap of responsibilities <u>caused by</u> externalisation under the existing complex rules.</p> <p>Research Agencies: Given the diverging views and intentions of different Research DGs (in particular as regards scope of mandate), there is a risk that DG INFSO could be forced to align itself in one way or the other with less desirable scenarios. In that respect, the more extensive approach of TREN/ENTR could create problems for DG INFSO's strategic approach based on synergies between the different business areas.</p> <p>Risk of delays in the set-up and operational start-up of the two JUs <u>due to</u> difficulties to agree on staff implementing rules and to recruit personnel with the required profile in due time. Difficulties may also originate from legal issues or disagreement among the MS and the industrial associations that are members of the JUs.</p> <p><i>For operational aspects related to this risk; see risk ICT-3.</i></p>	<p>Regulatory-organisational, legal, financial, reputational</p> <p>CROSS-CUTTING</p>	<p>Cooperation modalities with the executive agencies</p> <p>Detailed implementation Roadmap for new entities</p> <p>Intensive follow-up by weekly supervision at senior management level and with Cabinet to monitor the progress and review as needed</p>	<p>MEDIUM</p> <p>3 + 3 = 6</p>	<p>MEDIUM</p> <p>Initiatives to improve the overall governance framework for external agencies</p> <p>Continuous close follow-up; extra actions if/as needed</p> <p>Continuous close follow-up; extra actions if/as needed.</p>	<p>Accepted and to be monitored</p>

INFSO's 2008 AMP – Internal Part – Demonstration of effectiveness relating to the implementation of certain ICS

Pre-selection of ICS for which DG INFSO wishes to place emphasis on evaluating the effectiveness of the controls put in place

<i>ICS</i>	<i>Brief description of the context</i>
3. Staff Allocation and Mobility + 7. Operational Structure	Revision of sensitive functions policy <ul style="list-style-type: none">• Where sensitive functions have been removed and allocated to a different member of staff, is management satisfied that the risks involved have been effectively mitigated?• Where additional mitigating controls have been put in place, is management satisfied that these controls are effective and that the risks involved have been reduced to an acceptable level (considering impact and likelihood of the risk)?• Do results of the supervisory activities, audit reports or other relevant sources suggest that there could be failings or issues associated with the DG's sensitive functions?• Is the number of sensitive functions that require mandatory staff mobility reasonable? The cost of excessive mandatory staff mobility (negative impact on operations) may outweigh the benefits (reduced risk of conflict of interest and fraud).
8. Processes and Procedures + 11. Document Management + 12. Information and Communication	Data protection <ul style="list-style-type: none">• Are arrangements in place to ensure data protection is applied to manual processes?• Document management systems and related procedures comply with relevant compulsory security measures, provisions on document management and rules on protection of personal data.• Data management systems and related procedures comply with relevant Information Systems Policy, compulsory security measures and rules on protection of personal data.
10. Business Continuity	Effectiveness of INFSO's BCP (beyond the already existing IT Disaster Recovery Plan); to be decided after the evaluation of the recent BCP test exercise (05.12.07) <ul style="list-style-type: none">• Cf. "Business Continuity Plans are in place to ensure that the Commission is able to continue operating to the extent possible whatever the nature of a major disruption" and related requirements.

Annual review of internal control systems: main results

Improvements during 2007 of the effectiveness of DG INFSO's control arrangements in place include *inter alia*:

As regards the Implementation of previous ICC recommendations (progress monitored via the ICC Group):

In terms of risk management, in order to ensure that the results of DG INFSO's annual High-Level Risk Assessment (HLRA) exercise are followed up and implemented effectively, the progress check and monitoring of the related actions have been included into the mandate of the Internal Control Coordination Group (ICCG) set up early 2007. (old-ICS-11, new-ICS-6)

In terms of document management, in order to ensure that the gradual uptake of electronic filing would increase further during 2007, the filing rates have been monitored and published (per directorate) on a monthly basis. (old-ICS-13, new-ICS-11)

In terms of protection of personal data, in order to increase awareness among INFSO staff, during 2007 dedicated info sessions on the practical consequences of the Data Protection regulation have been organised by the DG's Data Protection Coordinator. (old-ICS-1/12/15, new-ICS-8/11/12)

DG INFSO has established and communicated/stored its overall Business Continuity Plan. It has been tested on 05.12.07. (old-ICS-15/19, new-ICS-10)

Following the IAS' Quality Review of the DG's Internal Audit Capability, the IAC has implemented the IAS recommendations on some performance standards (risk assessment, planning of work, supervision, monitoring the implementation of recommendations). (old-ICS-22, new-ICS-16)

In terms of Human Resources Management, actions have been launched to review INFSO policy in the context of sensitive posts and mobility, but have been postponed to 2008 in order to be able to take into account the announced new guidance by SG-ADMIN-BUDG (cf. January 2008). (old-ICS-5, new-ICS-7) - see also "ICS priorities for 2008" below

In terms of recording and reporting of exceptions, the INFSO procedures have been reviewed and clarified (taking into account the new "iFlow" tool for electronic workflow and file-tracking which embeds an exception reporting feature). New consolidated instructions have been issued. (old-ICS-18, new-ICS-8)

In terms of developing an efficient and effective follow-up tool ('tracking system') for all audit and other recommendations and actions involving DG INFSO (IAS, IAC, ECA, DG's risks/controls - except external audits results for which the ARPS database is used), DG INFSO is already using the AMS IssueTrack database for the follow-up of IAS and IAC recommendations, and has ordered IssueTrack licences for registering recommendations and action plans resulting from its risk assessment exercises - and possibly also ECA recommendations - as well. (old-ICS-21, new-ICS-9)

In terms of Public Procurement procedures, a mandate for a working group in charge of a structural review of INFSO's CPP procedures (operational units and horizontal support) has been finalised. The final report has been submitted to Senior Management for decision and potential implementation on 2008.

As regards other aspects of improvement during 2007 (not exhaustive):

DG INFSO's HRM Unit's Training Team has been reinforced, inter alia for analysis purposes. Feedback from e.g. POs, secretaries, AFUs as 'clients' and from training providers as 'suppliers' has been used as valuable input for adapting INFSO's annual Learning and Development Framework (e.g. FP7 novelties). A major analysis (check per 'profile') of training discrepancies has been done. As in previous years, training enrolment is not attained equally across all INFSO directorates, but for compulsory trainings awareness

reminders have been made to convince Senior Management of the importance of those for the benefit of all staff and units (e.g. insisting on central induction sessions for newcomers). (old-ICS-3, new-ICS-4)

In terms of embedding risk management in DG INFSO's management processes, the implementation of the annual High-Level Risk Assessment (HLRA) exercise results (action plans, reinforced monitoring) has been organised and reported via the newly created ICC Group (practical process for action implementation progress check + reinforced monitoring of 'critical' + all other important 'top' risks) (old-ICS-11, new-ICS-6)

DG INFSO's operational structure has been adapted to reinforce the management of ex-post controls in the context of the DG's main risk, i.e. the recurrent reservation on the frequency of errors in cost claims. A reallocation of resources has been decided to strengthen the ex-post control function: a dedicated Unit S5 has been created and is being staffed, and an 'Ex-Post Audit Correspondents Network' has been set up with colleagues from each OS/AFU-unit. (old-ICS-6, new-ICS-7)

Following the creation of DG INFSO's online manual of procedures (MoP), the efficiency of having an updated, coherent and complete manual at all time has been increased in cooperation with the dedicated network of correspondents in key units set up in this context. Moreover, awareness about the MoP among staff has been increased via a MoP awareness campaign & survey, and the training on MoP offered to newcomers. (old-ICS-15, new-ICS-8)

In terms of management supervision, a central database for monitoring INFSO's inter-institutional reporting obligations has been set up, in order to avoid failures in meeting obligations resulting from secondary legislation vis-à-vis Parliament, Council and other institutions. (old-ICS-17, new-ICS-9).



EUROPEAN COMMISSION
Information Society and Media Directorate-General
General Affairs
The Director – The Internal Control Coordinator

Brussels, **13 MARS 2008**
INFSO-S2/GV/cf D(2008) 907178

**NOTE FOR THE ATTENTION OF MR F. COLASANTI,
DIRECTOR GENERAL DG INFSO**

Subject: Annual recommendations from the Internal Control Coordinator (ICC)

As you know, the Internal Control Coordinator is required to report yearly his advice and recommendations to the Director General on the state of the DG's internal control arrangements ⁽¹⁾.

As in previous years ⁽²⁾, the horizontal units that are the 'chefs-de-file' for the implementation of the 24 ⁽³⁾ Internal Control Standards (ICS) within DG INFSO were interviewed about their 'top-down' assessment of the internal control status during 2007, with respect to both the compliance and the effectiveness of the DG's control arrangements in place. Furthermore, the 'bottom-up' information on internal control issues received through the chapters 2-6 of the 2007 *Directorates' Management Reports (DMRs)* was checked for confirmation or any counter-indications.

The ICC recommendations are based like in previous years on these two sources of information.

1. Annual Review of Internal Control Standards in DG INFSO

The following link to Unit S2's intranet provides detailed information on the way the compliance with the ICS baseline requirements as well as the effectiveness of the internal control arrangements in place were assessed through sets of questions:

http://intra.infso.cec.eu.int/ICS/docs/16_ics/ics_15/ICS_review_07.doc

In terms of **ICS compliance in 2007**, DG INFSO has implemented all ICS baseline requirements with only one issue of form, not of substance. The formal annual reminders on ethical topics (conflicts of interests, whistle-blowing, etc) have only been made in March 2008 in order to take into account the revision of the ICS beginning of this year, to be able to refer to the communication on ethics which was recently adopted by the Commission and to be part of the 1st

¹ Communication to the Commission: "Clarification of the responsibilities of the key actors in the domain of internal audit and internal control in the Commission", SEC(2003)59 of 21.01.2003

² In its 2007 audit of the AAR Assurance Process, the IAS mentions DG INFSO's Internal Control assessment process and documentation as a good practice

³ As from 2008, the ICS requirements have been re-structured into a set of 16 ICS

edition of DG INFSO's HR Insights Newsletter. In terms of substance related to the "ethics" theme, as the IAC is currently doing an audit on ethics within DG INFSO, its resulting recommendations will be the basis for further increasing effectiveness in this domain during 2008.

The **improvements that happened during 2007** as regards the effectiveness of DG INFSO's control arrangements in place concern a considerable number of areas which include *inter alia* the management of risks, the management of ex-post controls, the document management, the protection of personal data, the documentation of procedures, the business continuity, the performance of the internal audit work, the management and training of human resources, the recording and reporting of exceptions, the follow-up of recommendations and the procurement procedures. For further details, see Annex 1.

Overall the state of compliance and effectiveness of the internal control standards is therefore good and is due in particular to the progress made through the Internal Control Coordination Group. Further steps towards enhanced effectiveness should nevertheless be made in 2008 (see below, the five recommendations from the Internal Control Coordinator for 2008).

2. Information on internal control from the Directors' Management Reports (DMRs)

An overview of the information on internal control issues received from the Directors, via their *Directorates' Management Reports (DMRs)*, is provided in annex 2. The main conclusions can be summarized as such:

- *Beyond the DG's main risks already covered through the previous High-Level Risk Assessment (HLRA) exercise, the identified risks at directorates' level have been kept under control and/or have been further reduced through risk management measures by continued line management.*
- *The supervision and control arrangements in place have been further improved. The internal control systems have been applied, and the Directors state that they have reasonable assurance that suitable controls are in place and working as intended.*
- *In one single case an overriding decision by the competent Authorising Officer by Subdelegation was recorded and processed in accordance with the applicable rules. This decision concerned the overriding of a negative opinion of the Public Procurement Committee (CPP) in a matter of letting a contract following a negotiated procedure.*

Further to that only minor deviations considered of a limited relevance and non-systemic nature have been reported – e.g. extension of FDI after its expiration, re-opening of a file after termination because of miscalculations leading to the initiation of new commitments for existing payment obligations or 'Couverture des Obligations Subsistantes' (COS), late signature of Appointment Letters (expert in place) or public procurement contract (work completed), extension of procured contracts, late payments -. They have been properly documented in the related file and logged through the appropriate administrative/financial IT tools as requested.

With view to the limited number and scope of exceptions and deviations reported for 2007, it can be concluded that this does not lead to concerns that procedures and/or controls would not be suitable or not working as intended.

For 2007, DG INFSO has recorded 3 derogations to allow staff to remain in a sensitive function longer than five years.

- *Some minor internal control weaknesses (concerning back-up effectiveness, rules on allocation and mobility of staff, insufficient electronic filing rate) have also been signalled.*

- *In the context of DG INFSO's 2007 Annual Activity Report (AAR) process, the Directors (as Authorising Officers by Sub-Delegation) have reported no comments on the follow-up of previous AAR reservations nor raised any new issues to be considered by the Declaration Group in the context of the declaration by the Director General (as Authorising Officer by Delegation) – beyond the DG's recurrent reservation on the frequency of errors in cost claims.*
- *In the context of their comments on DG INFSO's current working methods, Directors have expressed concerns about the multiple levels of controls in place for financial transactions (DGs own ex-ante and ex-post controls, IAC, IAS, ECA), the related risks of overlaps and implications in terms of resources requirements. Suggestions have been made for further targeted horizontal support functions so as to ensure a better and timelier follow up of complex audits, fraud investigations and Court cases.*

3. Recommendations from the Internal Control Coordinator for 2008

Enhancing the effectiveness of the DG's control arrangements in place is an ongoing effort in line with the principle of continuous improvement of management procedures. Having taken in consideration the results from the analyses and reports previously mentioned as well as the new instructions on ICS, I submit the following 5 recommendations for further improvement actions during 2008:

Rec. 1: Enhancing the effectiveness of 3 priorities in the ICS:

- *Following the issuance of new guidance by SG-ADMIN-BUDG (January 2008) on sensitive functions and mobility, DG INFSO's related policy should now be reviewed, focussing more on mitigating measures and de-sensitizing of posts (new ICS 7).*
- *Following the Commission-wide first test of the DGs' Business Continuity Plans (05.12.07), lessons learned at DG INFSO should lead to a review and update of the DG INFSO BCP (new ICS 10).*
- *Following the efforts to increase awareness in terms of protection of personal data, focus should now be put on ensuring that the data protection arrangements put in place are working effectively as intended (new ICS 8-11-12).*

Rec. 2: Awareness raising on internal control issues with a focus on ethics

- *Such an awareness campaign should aim at notably addressing the recurrent concerns about the adequate balance to be sought between operational activities and control/audit activities. It should also take into consideration the "ethics" topic which is a Commission-wide priority for 2008 and the outcome in terms of recommendations of DG INFSO's IAC audit on ethics within the DG.*

Rec. 3: Promoting and boosting the certification of methodology in FP7

- *In the context of ex-post controls and the development – by DG INFSO in cooperation with DG RTD – of a FP7 audit strategy in line with the recent one for FP6, it is proposed to boost the take-up by beneficiaries of the possibility in FP7 to get a Certification of Methodology by launching a promotion campaign.*

Rec. 4: Reviewing ex-ante control practices

- *A methodology for risk-based auditing has been developed specifically in the context of DG INFSO's High Level Risk Assessment to deal with the risk of overdependence on EU funds. Such a methodology responds to the need to strengthen ex-post controls to cope with the residual risk resulting from the simplification of the ex-ante control systems in FP6 and FP7.*

Results from the risk based audits should be evaluated also with regard to assessing the adequacy and overall effectiveness of ex-ante control practices.

Rec. 5: Enhancing targeted support functions as regards complicated audits and fraud cases

- *Improvements should be sought in implementing complicated external financial audit results, as well as in following up, getting more regular feedback and reporting on anti-fraud investigations. These enhancements should take into account among others the recent Commission-wide OLAF awareness raising campaign.*

Consequently, with your agreement, **I would suggest mandating the ICC Group** to follow-up on these five recommendations on the basis of clear assignments of responsibilities, to monitor the progress on a regular basis, and to discuss results prior to their presentation to senior management.



Walter Schwarzenbrunner

Encl.:

- Annex 1: Annual review of internal control systems – main results
- Annex 2: Information on internal control from the Directors' Management Reports (DMRs)

Overview of information on internal control from DG INFSO's 2007 DMRs (chapters 2-6; in two tables – part A: Directorates A, B, C, D, E; part B: Directorates F, G, H, R, S).

c.c.: Deputy Directors General, INFSO Directors, C. Dewaleyne, Assistants;
DG INFSO's ICS 'chefs-de-file' units R1, R2, R3, R4, R0-SO, S1, S2, C3, C4, 01.

2007 DMRs - chapters on management issues 2-6 (overview)

Part A: INFSO Directorates A, B, C, D and E

	Dir. A	Dir. B	Dir. C	Dir. D	Dir. E
2 Risk assessment and management Cf. directorate-specific risks; continued line management (excl. risks monitored via ICC Group)	<p>Directorate A actively contributes to the general risk assessment and management as it is coordinated by unit S2 through annual high level risk assessment exercise. Risks were analysed and, finally, only one risk was identified as a critical risk requiring some mitigation. This risk is related the Procedural risks for ENISA and the inability to put forward a positive proposal for its extension.</p> <p><i>Appropriate processes and procedures are in place to ensure that Directorate A's document management is secure, efficient and complies with applicable legislation. The Directorate's network of document management correspondents was updated in Autumn. In October, Directorate A organised with the support of INFSO's</i></p>	<p>Risks faced by Directorate B have remained stable these last few years, in particular those related to financial management. [...]</p> <p>Main risks have concerned the following items:</p> <ul style="list-style-type: none"> - Management of budget, cf. unusual high number of new studies launched [...]; A special effort was made to ensure that all studies planned at the beginning of the year in the context of the "pre-information notice" published in the Official Journal, were effectively launched. [...] Concerning on-going studies, particular attention was paid to their progress and finalisation, in particular as regards the respect of dates related to delivery and interim payments as well as final dates of implementation. [...] - Management of budget, cf. translations of notifications 	<p>IST-1 Sub-optimal IST Work Programme</p> <p>The Work Programme was adopted on time: 21 December 2006. There was a more than adequate response to the first two Calls (for a total Community funding of almost 1.68 billion €) with a higher proportion of proposals evaluated as above threshold than in FP6). This would seem to confirm the relevance and importance to the ICT research constituency of the priorities set in the work programme. Consultations for the 2009-2010 work programme started in mid-2008 and again every care is being taken to ensure the work programme's quality, both as regards the constituency's expectations and in relation to the requirements laid down in the legislative framework.</p>	<p>Risk assessment</p> <p>The 2007 high-level risk assessment (D/800259) listed a number of risks related to the ICT Programme and the launch of FP7. The exercise proved useful as many of the risk identified in late 2006 led to their pro-active and vigilant management during 2007 and are therefore not perceived as high-level risks anymore. For instance risks around the launch of FP7 (IST-5) have been perceived as quite high. Subsequent adaptations to planning and execution have led to the best ever launch of a new framework programme. The experience of the first year in FP7, the implementation of the first call (104 projects) suggest that the risk IST-6 Unbalanced IST Portfolio management and IST-7 over-concentration of funding are not relevant anymore and should in our view be deleted</p>	<p>No Directorate-specific risks have been identified during 2007.</p>

2007 DMRs - chapters on management issues 2-6 (overview)

Part A: INFSO Directorates A, B, C, D and E

	Dir. A	Dir. B	Dir. C	Dir. D	Dir. E
2 Risk assessment and management Cf. directorate-specific risks; continued line management (excl. risks monitored via ICC Group)	<p><i>Document Management Officers a training for ASTs on document management, which was followed up by some units who dedicated a weekly unit meeting to document management issues. All new staff now is registered for Adonis Quick-Start or Adonis Hands-on courses. All units have greatly improved their filing rates, all units come for the period January to December 2007 to a filing rate which is well above the INFSO-target of 90%.</i></p> <p>As a part of the annual High Level Risk Assessment (HLRA) three strategic main risks were identified for 2007:</p> <ul style="list-style-type: none"> • Unavailability of dot.EU in the domain name system due to disruptions/discontinuity of registry operations requiring actions to mitigate the risk in 2007. For 2008, this risk no longer exists. • Failure to modernise the TVWF policy (cf. non-linear services, liberalisation of advertising) due to the 	<p>from National Regulatory Authorities in the context of art. 7 of the Framework Directive on eCommunications: Strict supervision measures were maintained to ensure that the numerous transactions in this context are carried out correctly. As in previous years, this was achieved with the help of a detailed budget tracker which allows to follow all expenditures corresponding to each order form issued. [...]</p> <p>- Risks related to policy initiatives: in the context of the High Level Risk Assessment exercise, 3 "top risks" were retained in the area of policy initiatives, namely the roaming policy, of the review of the eCommunications regulatory framework regulatory and of spectrum policy. [...]</p> <p>- Risks related to functioning of Article 7 mechanism of Framework Directive: In the context of the Business Continuity Plan finalised by DG INFSO in April 2007, which defines the critical,</p>	<p>i2010-3 Delayed implementation of the eHealth and eGovernment action plan</p> <p>No major disruptions have occurred or are anticipated. The CIP 2007 Work Programme was adopted on schedule (May 2008) and the call for proposals attracted the necessary proposals for an almost full execution of the indicative budget for the Call. (Directorate H will no doubt report on this more fully.)</p> <p>HLRA</p> <p>Directorate C participated actively in the DG's High Level Risk Assessment in the context of the preparation of the AMP for 2008. The results of the HLRA are valid for Directorate C. The principal risks identified for the DG include the over-concentration of research funding in particular on recipients who do not have the financial capacity to</p>	<p>from the HLRA 2008. Within our remits high level risks remain the in the area of human resources and related to errors in ICT cost claims. In general, undefined processes such as FP7 payments and FP7 contract amendments continue representing an unknown risk for undue delays, wrong and/or inconsistency application of rules.</p> <p>The practice of late development of IT tools, associated with the fact of little or no testing before implementation continues to be a significant risk for the large volume processes of INFSO.D. For instance the workflow for the payment of pre-financing was immediately put into production as end-of-the-year deadlines were approaching. Testing was done with real-life cases, stepping them carefully through the process. In this context it is noteworthy to mention that the fatal bug of PHOENIX producing overpayments in certain circumstances was noticed first by INFSO.D and report to INFSO.R – however not all directorates could avoid</p>	

2007 DMRs - chapters on management issues 2-6 (overview)

Part A: INFSO Directorates A, B, C, D and E

	Dir. A	Dir. B	Dir. C	Dir. D	Dir. E
2 Risk assessment and management Cf. directorate-specific risks; continued line management (excl. risks monitored via ICC Group)	<p>non-adoption of the legislative proposal on the revision of the TVWF, which was regarded as a critical risk but with low likelihood not requiring any special action-plan. As the new AVMS directive was adopted in 2007, this risk no longer exists.</p> <ul style="list-style-type: none"> • Delays in and poor quality of the AV Community law enforcement (cf. constant infringement of quantitative and/or qualitative advertising rules) due to the dependency on the contribution and services by external partners, which regarded as a medium risk but with low likelihood not requiring any special action plan. For 2008, this risk is re-classified as "medium / low". <p>In autumn 2007, EACEA had to put on hold a number of actions in the treatment of open MEDIA II files (in particular the issuing of recovery orders) and the Legal Service clarified that an amendment of the COM Decision setting up</p>	<p>essential and necessary functions as well as the key staff necessary to face major crisis and disruption of activities, one of the essential functions retained was the management of notifications in the context of Article 7. The Head of Unit and the Head of Sector are the key staff retained to carry on essential tasks in case a crisis would occur.</p> <p>The main permanent risk as regards the functioning of Article 7 is missing the legally binding deadlines for decisions by the Commission under this article of the Framework directive on e-communications. Measures already in place to manage this risk have demonstrated their solidity and consequently did not have to be adapted in 2007. [...]</p>	<p>provide the necessary counter-part funds. The risks identified concerning the availability of IT systems are also of direct concern to Directorate C.</p> <p>Other risks</p> <p>In addition, in the research area, we continue to face risks related to the size and heterogeneity of the "research family" in the Commission and the fact that DG RTD is chef de file for many important issues. These risks are compounded by the fact that Commissioner Potočnik and his Cabinet frequently over-rule agreements reached between DG RTD and DG INFSO.</p> <p>Directorate C also draws attention to the risks for the achievement of our planned activities of the high volume of demand-led work (generated in particular by briefing and speeches requests from the Cabinet) that falls on units C1 and C2, often to the detriment of</p>	<p>overpayments caused by this system bug as INFSO.D did.</p> <p>Risk management</p> <p>In order to mitigate the above referred to risk, INFSO.D has</p> <ul style="list-style-type: none"> - actively participated in a number of actions carried out in coordination with the horizontal units in DG INFSO, notably the 'Internal Control Coordination Group' and the 'Audit Correspondents network' by its representative Christopher Gauci. - had an important contribution to the development of the necessary IT tools, i.e. maintenance of systems such as PHOENIX and design and testing of work flows in iFLOW – both conceived for the further automation of contractual and financial activities. <p>INFSO.D AFU (Administration and Financial Unit) worked in close cooperation with the other AFUs and the IT Units for the writing of the specifications, the user testing and the debugging of these applications. Through these</p>	

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	Dir. A	Dir. B	Dir. C	Dir. D	Dir. E
2 Risk assessment and management Cf. directorate-specific risks; continued line management (<i>excl. risks monitored via ICC Group</i>)	<p>EACEA was needed to explicitly include MEDIA II in the Agency's mandate. In this context, the HLRA for 2008 transferred MEDIA II from the "borderline risks" to the "INFSO high-level top risks".</p> <p>The Education, Audiovisual and Culture Executive Agency (EACEA) is supervised on a joint basis by the three DG de tutelle, namely DG INFSO, DG EAC and DG AIDCO. The Director of INFSO/A is Vice-President of the EACEA Steering Committee and ensures regular reporting to the Director General (and, through him, to the Commissioner) through a formal reporting procedure on the outcome of Committee meetings which was put in place in 2007. For horizontal aspects, specific coordination meetings take place regularly in preparation of the Steering Committee Meetings and the Assistant of INFSO/A ensures</p>		<p>other work which might objectively be considered more important. Between them, in 2007, these two units coordinated the DG's responses to 1053 inter-service consultations (of which 956 fell to C1) and 110 briefing and/or speech drafting requests. [+ table in DMR]</p> <p>Directorate C is one the main users in the DG of the Public Procurement Procedures. We therefore participated actively in the Working Group set up by S2 in 2007 to review the CPP procedures and examine scope for their streamlining. Indeed, we warmly welcomed this opportunity to find ways of streamlining the process. Our ability to execute our budget and to deliver planned work which relies on input from outside experts (notably studies) is put at risk when these procedures result in very long delays. A recent example of the time path for a negotiated procedure is</p>	<p>efforts the overall management and control of operations was raised to a higher level. This activity will continue in 2009 as these applications are improved and are further adjusted to FP7 needs.</p> <p>- Apart from the user trainings mentioned above, INFSO.D also organised a series of internal presentations and trainings covering FP6 financial statements processing and on other FP6 and FP7 related topics.</p> <p>The weekly meetings of the AFU remained the major tool for coordination among the research directorates administrative processes and are considered the major driver for innovation, for a coherent and coordinated approach and for dealing with special cases.</p>	

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	Dir. A	Dir. B	Dir. C	Dir. D	Dir. E
2 Risk assessment and management Cf. directorate-specific risks; continued line management (excl. risks monitored via ICC Group)	<p>coordination/preparation with INFSO/R, INFSO/S and INFSO/01 as regards issues concerning EACEA's human resources, financial circuits and budget implementation as well as internal control, risk management and audits. The development of SYMMETRY falls under the primary responsibility of DG EAC. DG INFSO mitigates this risk by following-up its development through the participation of the Director on the Steering Committee.</p>		<p>attached at Annex 3 [of the DMR]. We look forward to the introduction of the lighter procedures, including indicative time limits, that are currently under discussion.</p> <p>No new risk management action plans specific to Directorate C were made during 2007.</p>		
3 Internal control 3.1 Supervision	<p><i>With respect to internal control standards, written instructions have been provided by the Director on ICS 18 (recording of exceptions), ICS 19 (continuity of operations) and ICS 20 (recording and correction of internal control weaknesses). Responsibility and authority limits in the context of ICS 6 (delegations) for financial transactions have been defined and the Charter of</i></p>	<p>- For financial transactions</p> <p>The problem with which directorate B was confronted in 2007 was the difficulty to proceed in time to payments of some experts invited to meetings; cf. organiser had not been strict enough in gathering documents needed for reimbursement [...]. The supervision measure taken to avoid a repetition of this situation was very simple: it was decided to have always a</p>	<p>Staff Objectives: a weakness recorded in my report for 2006 was the absence of up-dated CDR objectives for the Heads of Unit. This was improved in 2007, but there is still room for improvement. This concerns the staff directly attached to the Director as well as the HoUs. Directorate C also continued to be less systematic about holding weekly meetings of HoUs and recording the</p>	<p>The financial circuits in place within INFSO.D follow the DG-wide standards where the ex-ante verification is assured by a properly trained financial officer. Furthermore, staff from INFSO.D, both from the operational units and from the administration and finance unit, participate regularly at the supervision workshops organized at DG level by budget and finance unit R2. To illustrate the effectiveness of controls, INFSO.D5 did not</p>	<p>The Administration and Finance Unit E7 has reinforced its detective control capacity by assigning two financial officers to internal ex post checks: 6 desk audits and 1 on-site audit have been implemented in 2007, concerning both research and non-research projects.</p> <p>The deployment of electronic workflow circuits (iFlow) has progressed, and</p>

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	Dir. A	Dir. B	Dir. C	Dir. D	Dir. E
3 Internal control 3.1 Supervision	<p><i>Authorising Officers signed by the Director and all Head of Units. For Internal Control Standards relating to Human Resources, see chapter 1.5.1.</i></p> <p>Supervision within the Directorate</p> <p>With respect to ICS-17 (supervision), regular management supervisory controls are carried out in directorate A in order to ensure that the financial regulations and its implementing rules are adhered to and respected. Since the transfer of the financial management of the MEDIA programme to the EACEA the standard financial circuits and procedures of DG INFSO for the different activities of the Directorate have been applied. Check-lists for monitoring the standards and quality of financial dossiers have been prepared for all financial transactions and are regularly used by the Operational Sector.</p>	<p>representative either of the operational sector or the unit concerned present at meetings involving experts. This decision was systematically applied, in particular on the occasion of ERG meetings.</p> <p>As regards the operational budget line, exclusively devoted to studies, supervision remains the same. [...] These measures have resulted in an absence of problems in the financing management of studies (...) and translations of Article 7 (...).</p> <p>- For compliance with ICS</p> <p>A particular effort was made as soon as January 2007 to improve mail registration and filing systems (ICS 13). The filing percentage of 71% in December 2006 rose to 95% in September 2007.</p> <p>Special attention was also paid to tasks given to ENDs in order to follow closely the Commission Decision on the secondment of national experts and avoid conflict of interest issues. This is</p>	<p>outcome of these than some other Directorates. I do not however consider that in either case the quality of supervision or information flow in the Directorate is adversely affected. I am in regular and frequent contact with all the units on an ad hoc basis and they keep me fully informed and consult me as necessary.</p> <p>Electronic Filing Rate: Directorate C's rates have deteriorated compared to 2006, with three out of the five units below 90% and one at only 66%. We probably made the mistake of thinking that once good habits had been installed, they would stick and not enough attention was therefore paid in 2007 to monitoring the situation. The alert was therefore only raised when we saw the end of year statistics. We shall take steps in 2008 to monitor the situation more regularly and take timely remedial action where necessary.</p>	<p>make any overpayments on RTD contracts, despite the fact that PHOENIX in certain circumstance counts an audit certificate twice and hence unduly inflates the payment.</p>	<p>in 2007 it covered also eContentplus and Safer Internet plus Programmes, with a gain in terms of effectiveness in supervision.</p> <p>During 2007, I issued instructions to all staff directly involved in project management (Heads of Unit, Project Officers and Financial Officers of Units E1, E2, E3, E5 and E7) concerning the organisation of legal and financial verifications of participants (816960 of 27/4/2007). All applicable instructions issued at Directorate level during the period 2003-2007 are available for all staff on the Intranet site of unit "Administration and Finance".</p>

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3 Internal control 3.1 Supervision	<p>The following supervisory procedures are in place in directorate A:</p> <ul style="list-style-type: none"> • Weekly Head of Unit meetings, chaired by the Director, are held (as far as missions/high level commitments allow) and minutes of meetings are distributed electronically and placed on Directorate A intranet for accessibility of all staff • Monthly “Management Reports” on financial transactions, including statistics on number of transactions, quality of files, payment delays, etc., are produced and distributed to the Director and Head of Units by the Operational Sector. Questions/issues are subsequently discussed • Following discussions during their away-days most units updated their mission statement and/or re-organised task allocation and organisation in the units ("clusters"), up-to-date mission statements of the Directorate and the units are available on the Directorate A website, the Intranet 	<p>particularly true as regards unit B5 where ENDS are strictly not allowed to work on cases notified by their seconding National Regulatory Authority.</p> <p>Because of the large number of new collaborators in 2007 (27 in total), units ensured that ICS 19 (continuity of operations) was well respected.</p> <p>- Implementation of DG ADMIN "Well-being at work" initiative</p> <p>The unusual workload of directorate B in 2007 resulting in particular of the preparation of the regulation on roaming and of the review of the regulatory framework and the successful results of these initiatives necessitated a strong team work and a positive working environment.</p> <p>The follow-up of "Well-being at work" initiatives taken in 2006 undoubtedly brought a contribution to this positive environment. [...]</p>	<p>Payment Times – Meeting Reimbursements: written instructions with an indicative timetable for processing meeting reimbursements were sent to Units in June. Simultaneously the measures were explained to Secretaries/Financial Officers in Units during a meeting with C-OS. A custom-made workshop on the entire meeting cycle, covering both practical and financial information, was held in September for Financial Officers, chaired by C-OS with participation of R2. These initiatives, together with close monitoring and regular follow-up action by C-OS, have contributed to improved payment times and better budget management.</p> <p>Financial supervision: following the appointment as head of the OS of an experienced official from R2, I have made some limited sub-delegations to her of my AOSD functions.</p>		

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3 Internal control 3.1 Supervision	<p>presentation of the Directorate and the units is regularly updated</p> <ul style="list-style-type: none"> • Extensive use of ADONIS is being made for the attribution of actions and the monitoring of deadlines, all newcomers are registered for the relevant Adonis-courses • Electronic filing of the directorate has improved considerably and is now well above the INFSO-target of 90% for 2007, see also chapter 2.1. • Regular updates to the financial “fiche de circulation” are made, and reflect the financial circuits and management structures in place in DG INFSO and signataires are used for financial circuits to ensure the appropriate level of authorisations • Financial procedures are described on the Dir A intranet and/or links to relevant websites are provided, including S2 (Manual of Procedures), R2 and C5 • Extensive use of general alert reports published by 		<p>These concern the validation of decommitments and technical modifications and some ad hoc operations (validation of clearing on invoices or guarantee release operation). The head of OS almost always consults me before giving the electronic visa for these latter operations, which are in any case very limited in number (2 invoices cleared, 2 expired guarantee releases).</p> <p>Budget for horizontal information and communication activities: with R2's help we have for the past 2 years constituted a pool of credits drawn pro rata from the DG's main operational spending lines to fund horizontal information and communication activities (eg brochure on the DG as a whole, up-grading of the website, FUTURIS TV magazine etc). This works well, having been streamlined after the first year of operation. Since the</p>		

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3 Internal control	R2 in the intranet • Meetings with financial officers to discuss about some important issues common for all the units are organised when needed (March and October in 2007)		credits come predominantly from the research budget and much of our communication effort in 2007 was focused on our legislative and in particular e-communications activities, we had to exercise discipline and restraint in not using the (relatively plentiful) credits in the pool, with disregard for the focus of the effort. For 2008, we have in co-operation with Directorate B, earmarked funds for information and communication actions specifically on e-communications, so that the risk of the misuse of research funds is diminished.		
3.1 Supervision					
3.2 Exceptions	Exceptions according to ICS 18 are duly recorded and justified in the corresponding files and approved by the Director. There was no overruling and the exceptions recorded are regarded as immaterial and non systemic nature respecting the guidelines described in the note of the Director-General .	I am not aware of any recorded deviation from procedures in 2007, including overruling of decisions, in order to deal with exceptional circumstances.	14 exceptions were recorded in 2007 (see Annex 4 to the DMR). This is 3 more than in 2006, but still well below the level of 2005. None of these exceptions represented any significant risk to the financial interests of the Communities and only one constitutes an exception according to the definition recommended by Unit R2.	No overruling has happened. Only exceptions considered to be non-systematic and of limited relevance have taken place, such as the extension of FDI, re-opening of a file after termination because of miscalculations leading to a 'couverture de obligation de subsistance' (COS) or the late signature of appointment letters or public procurement	None

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3.2 Exceptions	<p>For example, there was one exception related to a payment of a double daily subsistence allowance for the experts attending the meeting of the MEDIA Literacy Expert Group on 28 September 2007 due to non-availability of reasonably priced hotel rooms. The exception was approved by the Director-General (D/826080) as foreseen in the Guide to Missions.</p> <p>Another case was need to issue a so called COS (couverture d'obligation subsistance) commitment for payment of an order form due to expiry of the commitment. The initial commitment SI2.428388 of 72.000 € for Turku School of Economics and Business Administration was made on 23 December 2005 on the administrative budget line 09.010406 of the "Other measures on the audiovisual policy". It was not possible to accept the reports in 2006 due to the problems related</p>		<p>This one involved my overriding the opinion of the CPP in the matter of letting a contract. A first publication of the call to tender had led to no offers being received. Unit C1 followed up with a negotiated procedure. They proposed to do this with a higher budget ceiling and the CPP delivered a positive opinion on this, but the opinion contained the original figure for the budget ceiling. At the award stage, we proposed to accept an offer 28% higher than the original budget ceiling (but the lowest of the three evaluated and easily the best in terms of the quality/price ratio) and the CPP delivered a negative opinion. I decided to go ahead with the proposed contract on the grounds that the process had overall been conducted fairly and that the risks were low. I informed the Director General and the chairman of the CPP in accordance with ICS 18 (see see email and note</p>	<p>actions of small value. All of these have been properly documented in the file.</p>	

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3.2 Exceptions	to submission and approval of the reports. Moreover, the final payment before the year end 2006 would have been very challenging in the first place due to the short period for approval of the last report after being due on 22/12/2006. Therefore a re-commitment of €51.000 was issued on 2007 credits to cover the payment due.		D/847439). The remaining exceptions emerge from a systematic checking by the OS of all financial and administrative transactions. [...] The overall impression, however, is that while improvements continue, there is still further room to tighten up financial and administrative practices in the Directorate and we shall continue our efforts in this direction. [...]		
3.3 ICS difficulties and weaknesses	A functional mailbox exists to streamline the reporting process and Directorate A staff is informed about this and asked to report any identified weaknesses or difficulties as defined in ICS 20. No weaknesses or difficulties have been reported so far.	Concerning "Continuity of operations " (ICS 19), some colleagues again pointed out that back-up lists are sometimes "symbolic" because of the shortage of staff to cover the amount of work requested. Other colleagues remarked that long delays encountered in recruiting new staff because of "EUR 10" restrictions and empty lists of candidates is jeopardizing the good application of this standard.	ICS 7 (objective setting) + ICS 13 (document registration) - see 3.1 above.	No deficiencies and weaknesses have been reported.	None

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4 Recommendations and inquiries 4.1 status of financial audit results	Directorate A received the results of two FP6 projects (ECOSPLAN and GAPFILL) on 21.1.2.2007, analysis and implementation of the recommendations is foreseen for 2008.	None	No action required by Directorate C.	With the sharp increase of audit results to be analysed and implemented, the directorate has put in place during 2007 a detailed process for handling audit results received by directorate S (detailed process flowchart added in DMR). In addition one INFSO.D staff, Mr Christopher Gauci, has been appointed as correspondent on audit matters to other directorates in view of coordinating and harmonising the approach taken and streamlining the operations for highest productivity. During 2007 INFSO.D processed 109 financial audit results which were duly analysed for their needed course of action. Of this 69 needed no further intervention, which for the remainder – 40 reports – a detailed analysis was prepared, covering 56 projects (through the direct application of audit results or extrapolations). Because INFSO.D devised this detailed process we are in a good position to estimate the effort the directorate expends in implementing the financial audit results.	External Financial Audits: 57 financial audit reports (as compared with 30 in 2006) relating to projects managed by Directorate E were transmitted by unit S5 "External Audit". All audit recommendations have been followed up, and they have or are being implemented. For the first time, in 2007 the Directorate received audit reports concerning also non-research programmes (eContent and Safer Internet). The new audit plans for 2008 coordinated by unit S5 now include both research (FP6 - FP5) and non-research projects. A Directorate E representative participates to the newly created work team EPAC, "Ex-Post Audit Correspondents Network", tasked to coordinate financial audit activities and facilitate cooperation with unit S5 "External Audit" regarding the implementation of audit results and audit certificates.

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4 Recommendations and inquiries 4.1 status of financial audit results				<p>For 2007 the overall effort for the implementation of financial audit results for INFSO.D amounted to 208 person days.</p> <p>Recommendations</p> <p>1. In the cases where an audit has to be implemented by different directorates and the results are not clear enough or have been contested by the concerned contractor, it would be highly desirable that greater emphasis is given to coordination, in order to ensure that a DG-wide harmonized approach is taken. A position that the “authorizing officer by sub delegation” is responsible for the implementation should not be taken as a reason not to coordinate the action.</p> <p>2. It would be highly beneficial to have a rolling 6 months plan when, which audit results will become available to the operational directorates. Given the fact that operational directorate cannot afford the luxury to have fully dedicated staff for the implementation of audit results, workload needs to be balanced with other tasks</p>	<p>A financial officer of unit E7 "Administration and Finance" has been assigned the task to assist units in the implementation and extrapolation of audit results, which during 2007 represented a consistent workload due to FP7 negotiations and the increased number of audits performed.</p> <p>Several FP6 financial transactions from our Directorate were audited in the framework of the Court of Auditors' activities related in particular to the DAS 2007</p>

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4 Recommendations and inquiries 4.1 status of financial audit results				such as regular payments, contract preparations, amendments and project closures. Web-based, this plan would enable a sound management of resources and task. 3. A better distribution of the timing of financial audit results over the year would be desirable. Traditionally, November and December financial staff is busy in complying with budget execution and contract preparations, while February and March is a period of less financial activity.	
4.2.a Implementation status of earlier audits	Directorate A was subject of an internal audit – phase 1, conducted by the DG INFSO Internal Audit Unit in late 2004. The results of this audit were presented at the start of 2005. The recommendations relevant for Units A3 and A4 – were all accepted except Recommendation 9 on the development for informatics and workflow tools for DG INFSO (which was	In 2007, Directorate B did not have to follow any specific recommendation other than those of the Financial Regulation and good practices proposed by unit R2.	Follow up to Internal Audit of financial management within Directorate INFSO/A (Report N° IA/2004/REP/02). Audit carried out on financial transactions made when present C4 (Communications Unit) was A3. The 2007 exercise required update of contact persons and actions which have been taken. The 4 actions for Directorate C	None	The Directorate has participated in the following internal audits performed by IAC, concerning the assessment of the efficiency and effectiveness of procedures used in INFSO: - Internal audit on financial statements' processing and payment process in FP6-IST; - Internal audit on project reviews in FP6-IST.

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4.2.a Implementation status of earlier audits	<p>addressed to INFSO/R). The accepted recommendations (12, 15, 17, 18, and 19) have all been implemented although due to the problems highlighted in the chapter Conclusions for operational budget there are still problems in respecting contractual payment delays which will be further addressed in 2008.</p> <p>Phase 2 of that Internal Audit, as presented in the Audit Memorandum of 19 October 2004, scheduled an additional assessment in the second semester of 2005 of the two units A1 and A2 (transferred as of 01.01.2005 from DG EAC to DG INFSO). Following an evaluation by the Internal Audit Unit of its original Audit Memorandum on the appropriateness of carrying out the audit, the Internal Audit of Financial Management with Directorate A – Phase 2 was launched on 19 December 2005.</p> <p>In accordance with the revised Audit Memorandum</p>		<p>were:</p> <p>11. Informatics tools and electronic workflow – establish list of specimen signatures of staff entitled to approve and authorise financial transactions</p> <p>12. Follow-up on outstanding commitments (RAL) – Examine outstanding commitments proactively and regularly and prepare decommitments.</p> <p>17. Ensure back-up system for financial officers</p> <p>19. Time delays in the processing of transactions</p> <p>All actions were reported as completed.</p>		<p>These audits are concluded; audit recommendations have been followed up, and actions have or are being implemented.</p>

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4.2.a Implementation status of earlier audits	<p>(Phase 2) , the audit covered two aspects:</p> <ol style="list-style-type: none"> 1. it includes an examination of the compliance of the execution of financial transactions related to the Media Programme with applicable rules and regulations and included an up-dated review of the implementation status of the three recommendations made by the IAS in its in-dept audit report of 21 September 2004 that specifically concern the Media Programme. 2. it made an assessment of the financial management of the activities remaining in DG INFSO after the transfer of the execution of the MEDIA Programme to the EACEA. <p>The Interim Report of the internal audit - phase 2 of the financial management within Directorate A – Phase 2 concerning the MEDIA Programme was issued on 24 June 2006. The EACEA sent on 10 January 2007 an action plan showing</p>				

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	Dir. A	Dir. B	Dir. C	Dir. D	Dir. E
4.2.a Implementation status of earlier audits	<p>the status of implementation of the recommendations made by DG INFSO's IAC in the interim report of the second phase of the internal audit (Phase 2) concerning the MEDIA Programme. The report shows that all the recommendations are either already implemented or in the course of being implemented. The implementation of the action plan will be a subject of the follow-up of the IAC of EACEA.</p> <p>The Final Report of the Internal Audit of Financial Management with Directorate A – Phase 2 on transactions managed by units A1 and A2 was distributed on 23 January 2007. The report presents 12 recommendations to be assessed and implemented in 2007. It should be noted that the majority of the 12 recommendations were already either fully or partially implemented as the units A1 and A2 are subject to the normal DG INFSO procedures since the</p>				

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	Dir. A	Dir. B	Dir. C	Dir. D	Dir. E
4.2.b New audits	<p>beginning of 2006 and adapted their workflows accordingly. The recommendations partially implemented are in progress to be implemented like the audit of MEDIA Desks carried out by the external audit unit INFSO/S5.</p> <p>DG INFSO's Internal Audit Unit has launched a Follow-up Audit on Financial Management within Directorate A (phase 1 and phase 2) during the fourth quarter of 2007 in accordance with its annual work plan for 2007, and one year after the conclusion of the original audit. The updated action plans were submitted to the Internal Audit Unit in October 2007. The audit is still on-going and will be finalised in 2008.</p>	None	<p>- Internal Audit of the legacy of open commitments from previous programmes: we have sent comments on the draft report</p> <p>- Internal Audit of OS/AFU: we have made input and C5 in particular sent comments on the preliminary observations addressed to them as Secretary of the OS/AFU meeting. We have just received the draft report for formal comment.</p>	<p>Audits by the Internal Audit Unit during 2007 relevant to INFSO.D included [7#]:</p> <p>- Internal Audit of the project review process in the IST-FP6 programme. Several of the recommendations were found not to be adequate or practical for implementation by the operational directorates. Directorate D responded in a note dated 18 September 2007, on behalf of all operational directorates, to the draft final audit report, however to little avail. In response to the final report a DG wide working group was set up. Mr Bartholome Arroyo, the representative of INFSO.D, contributed there to the rework and update of existing guidelines and templates for</p>	<p>During 2007 IAC has initiated the following audits (not yet concluded), concerning also Directorate E:</p> <p>- Internal audit on administrative and financial support from "Administration and Finance" Units;</p> <p>- Internal audit on legacy of open commitments;</p> <p>- Internal audit on ethics.</p> <p>The Court of Auditors has initiated a performance audit on Technical Reviews in FP6 and another one on the use of audit certificates (including our non-RTD programmes).</p>

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	Dir. A	Dir. B	Dir. C	Dir. D	Dir. E
4.2.b New audits				<p>project reporting and reviews for FP7.</p> <p>- Internal audit of financial statement processing and payment process in the FP6-IST Programme. This report notes explicitly INFSO.D3 as the best performing unit among the entire directorate general.</p> <p>In general internal audit reports on processes concerning all operational directorates where discussed among those concerned. Operational directorate replied to the internal audit reports with a common position, often coordinated by INFSO.C.</p> <p>When internal audit reports led to process changes, they were also taken up in INFSO.D.</p> <p>Audits by the Court of Auditors:</p> <p>Court of Auditors requesting information on [12#] transactions. The information request is provided in electronic format (DVD) according to the detailed request (list) and usually includes a full copy of all documents relevant to the</p>	

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	Dir. A	Dir. B	Dir. C	Dir. D	Dir. E
4.2.b New audits				transaction, including background information such as work programmes, call fiches, Commission decisions and relevant correspondence.	
4.2.c Any inconsistencies	None	None	<p>Nothing to report as regards Directorate C as such.</p> <p>(C5 acts as the secretariat of the ICT Directors group which generally replies collectively to the recommendations of the Internal Audit Capacity.)</p>	<p>1. What regards the internal audit unit, it would be desirable to focus their activities on areas where its potential recommendations can be implemented in time and will immediately add value to the work of the DG. It is not obvious that a highly dynamic and operational environment such as INFSO.D finds the time to be audited seven times per year and then implements the large number of resulting recommendations, several of which being very questionable (e.g. the internal audit report on the AFU). Compounded with a staff reductions and high staff turnover, too many changes will lead inevitably to instability with negative consequences on quality and productivity.</p> <p>2. It would be useful if the website of the internal audit unit would hold for future reference a repository of</p>	None

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	Dir. A	Dir. B	Dir. C	Dir. D	Dir. E
4.2.c Any inconsistencies				ongoing audits, draft and final audit reports and the replies of the services audited.	
5 Opinions of the Director					
5.1 Overall opinion on internal control system	<p><i>Taking into account the objectives of Directorate A and the risks deriving from the management environment and the nature of the operations, the Director INFISO/A has established, maintained and enhanced the management and control systems in Directorate A (which comply with the internal control standards set by the Commission) in order to provide reasonable assurance that suitable controls are in place and working as intended to reduce or keep the risk exposure at an acceptable level.</i></p>	<p>Despite the particularly heavy workload of directorate B in 2007, the management and internal control system within INFISO/B were fully applied and they remained equal in quality to what had been achieved in previous years.</p> <p><i>Taking into account the objectives of my directorate, the risks deriving from the management environment and the nature of our operations, I have established, maintained and enhanced the management and control systems in my directorate (which comply with the internal control standards set by the Commission) in order to provide reasonable assurance that suitable controls are in place and working as intended to reduce or keep the risk exposure at an acceptable level.</i></p>	<p><i>Taking into account the objectives of this Directorate and the risks deriving from the management environment and the nature of the operations, I have established, maintained and enhanced the management and control systems in the Directorate (which comply with the internal control standards set by the Commission) in order to provide reasonable assurance that suitable controls are in place and working as intended to reduce or keep the risk exposure at an acceptable level.</i></p>	<p><i>Taking into account the objectives of my Directorate and the risks deriving from the management environment and the nature of the operations, I have established, maintained and enhanced the management and control systems in my Directorate (which comply with the internal control standards set by the Commission) in order to provide reasonable assurance that suitable controls are in place and working as intended to reduce or keep the risk exposure at an acceptable level.</i></p>	<p>Internal Control is exercised in the Directorate as required for sound management</p> <p>None</p>

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Part A: INFSO Directorates A, B, C, D and E

	Dir. A	Dir. B	Dir. C	Dir. D	Dir. E
5.2 Suggestions for ICS priorities	None	<ul style="list-style-type: none"> - Ethical and organisational values (a priority for the whole of the Commission in 2008) - Staff evaluation and development (with a particular emphasis on development in order to maximise the value of our main resources, human resources) - Management supervision 	None.	<ul style="list-style-type: none"> - ICS3 – Staff Allocation and Mobility - ICS 8 – Processes and Procedures - ICS 12 – Information and Communication 	
5.3 Remarks on previous AAR qualifications	<p>None</p> <p><i>With the regularisation of research budget personnel working in operational activities completed in winter 2006/2007 and spring 2007 (see chapter 1.5.1) INFSO/A has no remarks on actions in the context of qualifications made by the AOD in previous AARs.</i></p>	None	None.	<p>1. The existing coordination across directorates should be further strengthened in order to facilitate the development of harmonised approaches and more effective and speedy decision making, in particular on matters pertaining to the life-cycle of ICT projects such as project reviews and the consistent and coherent use of IT tools supporting the ICT project life cycle (PPM). Regarding the issue of the recently discovered bug in PHOENIX, which led in certain circumstance to significant overpayments by other directorates, raises doubts about the correct functionality of the software. Quality controls in INFSO.D5 ensured that this overpayments did not happen in INFSO.D5,</p>	None

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	Dir. A	Dir. B	Dir. C	Dir. D	Dir. E
5.3 Remarks on previous AAR qualifications				<p>however staff relies increasingly on the correct functioning of tools provided and a risk remains that further bugs in PHOENIX will lead to errors.</p> <p>2. The high number of internal audits with often poorly researcher recommendations create more work than potential benefits. I propose to refocus the work of the internal audit to few but essential areas, to allow for in-depth analysis of the processes in place and to recommend improvements which are thorough analysed for their feasibility and impact together with the services concerned.</p> <p>3. In the absence of an adequate definition of work programme objectives, the management of some key domains suffers from a lack of overall coherence. This is in particular the case in the domain related to the Future of the Internet. Significant efforts will be undertaken in 2008 to improve the situation.</p> <p>4. Over the last few years I have observed continuing improvements in productivity, largely provided by improved</p>	

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	Dir. A	Dir. B	Dir. C	Dir. D	Dir. E
5.3 Remarks on previous AAR qualifications				<p>business processes, better and faster ICT, and not least because absolute numbers for projects became smaller during FP6/FP7. However, the productivity gained was negatively compensated by increased administration and control processes installed in parallel (ICS, auditing, etc.). In conclusion, a small drop in productivity is observable.</p> <p>5. Further significant gains in productivity are within reach on condition that modern collaborative working tools are made available to the staff. Examples of such tools, now in wide use by industry, but regrettably not yet deployed at Commission level, are so called collaborative Web-based tools (e.g. Wiki). In addition all internal administrative processes should be streamlined with the approach towards the instruments and procedures being revisited.</p> <p>6. On personnel matters, careful consideration should be given to the very significant training periods granted to newcomers, especially contractual staff, who opt to move to other directorates</p>	

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	Dir. A	Dir. B	Dir. C	Dir. D	Dir. E
5.3 Remarks on previous AAR qualifications				within their first year. This has resulted into serious management issues at the level of the units. Strict rules on mobility of staff are most desirable. 7. Lack of clarity and explanation regarding loss of posts to be re-allocated to other DGs has led to concerns being raised by Heads of Units, concerns which are motivated by their inability to properly plan and allocate work with their units.	
5.4 Any material issue for declaration	None <i>In Directorate A's Bi-annual Management Report of 30.06.2007, the Authorising Officer by Sub-delegation reported on delayed commitments and payments of the MEDIA 2007 Programme, executed by EACEA. The MEDIA 2007 delegation to the INFSO Director General was blocked for a considerable amount of time by the Legal Service. Consequently MEDIA 2007 actions had to be adopted by written procedure following inter-</i>	None	None.	None	None

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	Dir. A	Dir. B	Dir. C	Dir. D	Dir. E
5.4 Any material issue for declaration	<p><i>service consultations which implied significantly longer procedure duration (see chapter 1.2). Following the adoption of the so-called "2e train" of the MEDIA Work Programme 2007/2008, the negotiations on the MEDIA Delegation could be de-blocked and the MEDIA 2007 delegation to the INFSO Director General was adopted on 10 October 2007, the respective sub-delegation to the Director IFNSO/A put in place on 24 October 2007.</i></p> <p><i>With the delegation/sub-delegation in place since autumn 2007, INFSO/A has no material issue which might have an impact on the Declaration or Reservations by the AOD.</i></p>				
6 Director's judgement	Unqualified opinion.	Unqualified opinion.	Unqualified opinion.	Unqualified opinion.	Unqualified opinion.

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Part B: INFSO Directorates F, G, H, R and S

	Dir. F	Dir. G	Dir. H	Dir. R	Dir. S
2 Risk assessment and management Cf. directorate-specific risks; continued line management (excl. risks monitored via ICC Group)	<p>A central approach to risk management is in place in DG INFSO, co-ordinated by unit S2. In this context, DG INFSO's Critical Risks Register already mentions some perceived risks associated with procedures and tools for programme implementation.</p> <p>It should be noted that the risks and the related corrective actions are in general quite similar across the five IST research directorates, of which Directorate F is one. However, as a general first point, we feel it is useful to reiterate below our perception already stated in 2005 of the risks involved in implementing both the IST and RI work programmes without adequately documented and easy to understand procedures, and effective tools designed for purpose.</p> <p>Directorate F participated actively in the identification, evaluation and prioritisation of DG-level risks, as part of the High-Level Risk Assessment Exercise co-ordinated by unit</p>	<p>It should be noted that, based on the experience of previous years, most of the risks and the related corrective actions are in general quite similar among the five ICT research directorates (D, E, F, G, H). Therefore the actions necessary to eliminate or mitigate these risks (e.g. putting in place common administrative best practices) are discussed and agreed among these directorates, and under the supervision of Unit C5, in the framework of weekly "AFUs meetings". This "commonality" of risks is confirmed by the DG INFSO Risks Register – Chapter 3 (of 6) addressing the "ICT Cluster" of activities. These risks are controlled through a "continued line management". [...]</p> <p>New risk. In addition to the above mentioned risks produced by the HLRA 2006/7 exercise and registered under "continued line management", a new concrete risk should be taken into</p>	<p>The risks for the Director are by and large as in the other ICT research Directorates. These risks have been identified in the DG wide High Level Risk Assessment to which this Directorate has actively participated. The Directorate endorses the risks and mitigating controls that have been identified. In addition - as the remit of Directorate H also includes the implementation of eTEN and the newly established ICT PSP programme and the work done in the Directorate has a strong policy dimension - some additional risks have been identified.</p> <p>In the 2007 Directorate Management Report it was indicated that the Directorate had to implement a re-organisation (with two Units merged and a new Unit on ICT for sustainable growth arriving) and that the effective implementation of the two new programmes – FP7 and</p>	<p>I. RISK ASSESSMENT</p> <p>The main risks related to the mission and the objectives pursued by Directorate R are of a structural nature. [...]</p> <p>In addition to risks already analysed and explicitly addressed in previous exercises or in the High Level Risk Assessment exercise, the following risks have been newly or more specifically identified in 2007. The management strategies deployed to diminish these risks follow below:</p> <p>1.1 General Risks</p> <ul style="list-style-type: none"> • Crisis management in case of major disruptions of activities (business continuity). <p>1.2 Risks related to Human Resources management [...]</p> <p>1.3 Risks related to financial management [...]</p> <p>1.4 Risks related to Information systems development and support [...]</p> <p>1.5 Risks related to Information technology infrastructure and services [...]</p>	<p>The different Units of Directorate S are highly dependent on the input and preliminary work of operational services as well as on the work and initiatives of other services and institutions. Therefore, Directorate S is quite often faced with very short deadlines and a concentration of requirements during certain periods of time. Consequently, Directorate S is structurally faced with the following risks:</p> <ul style="list-style-type: none"> - Delay/non respect of deadlines imposed by central services - Difficulties in meeting the "customers'" expectations when providing support or advice both in terms of quality and timing - Confusion of responsibilities between operational and co-ordination duties - Lack of predictability of resource needs for co-ordination, cross-cutting duties and advice

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	Dir. F	Dir. G	Dir. H	Dir. R	Dir. S
2 Risk assessment and management Cf. directorate-specific risks; continued line management (excl. risks monitored via ICC Group)	<p>S2 in the last quarter of 2006. In particular, we provided input in the cluster groups IST Research, and Research Infrastructures. As specifically requested, the inputs Directorate F made to this HLRA process are not repeated here.</p> <p>Finally, we would like to reiterate that we feel that there is still room for progress with respect to the risks which were already described under sections 2.1 and 2.2 in the 2005 DMR exercise (notably concerning uncertainty with respect to procedures, unavailability of fit for purpose tools, contractual complexity of research contracts, and other factors which make it difficult for Directorate F to meet INFSO's contractual obligations relating, among others, to time to payment. With the imminent start of operations for FP7, we expect the complexity of operations, and therefore the risk of not meeting contractual obligations, to grow.</p>	<p>serious consideration, namely the one generated by "over killing" controls and audits, that piled up during the course of 2007, partly overlapping and not necessarily well coordinated, and with doubtful positive impact on the audited processes /services (while taking up a considerable amount of resources on both sides).</p> <p><i>For example, there are 6+ levels of control already in place for financial transactions relating to FP projects: (i) monitoring from PO, (ii) audit certificate delivered by external auditor, (iii) ex-post audit by a different external auditor, (iv) internal audits from IAC/IAS, (v) Court of Auditors' audits (plus OLAF and Ombudsman), (vi) High Level Risk Assessment, etc.</i></p> <p>Each one of these audits /controls generates follow-up actions and action plans in a perverse self-feeding loop.</p>	<p>ICT PSP – would need to be ensured. Especially the latter was particularly challenging as the Directorate was responsible for the operational aspects. These challenges carried inherent management risks. Strategic and operational risks identified for 2007 as identified in the 2006 Directorate Management Report have not materialised. The ICT PSP programme was successfully launched, an active personnel policy made that vacancies were completed swiftly – although a large dependence on temporary staff in the Directorate remained -, and first indications are that FP6 payments have fewer and less significant errors. The merging of the two Units – e-Government and eTEN – into one turned out to be difficult and the uncertainty about whether e-Government research will be included in the 2009-2010 ICT work programme remained.</p> <p>In the remainder of this Section a brief update of the</p>	<p>II. RISK MANAGEMENT</p> <p>2.1 Human Resources Management [...] 2.2 Financial Management [...] 2.3 Information technology infrastructure and services [...] 2.4 Business Continuity</p> <p>The DG INFSO Business Continuity Plan was validated end of March 2007. It provides details on the general strategy for the management of a crisis and the restoring of its functions, decision making procedures and communication as well as further preparations for the more extreme crisis scenarios such as a breakdown of IT systems. A first review and update took place during November 2007 in preparation of the Commission-wide business continuity exercise launched by the Secretariat-General.</p> <p>The DG INFSO Business Continuity Plan provides an overview of functions that have been identified as being critical, essential and necessary, based on a DG INFSO Business impact analysis including risk assessment, a critical review of DG INFSO's activities and the</p>	<p>- Negative impact on the relations with "customers".</p> <p>In the 2006 High Level Risk Assessment, 4 risks were identified for Directorate S which were to be followed up through "continued line management" measures within the Directorate.</p> <p>These risks were managed and followed up also via the ICC Group:</p> <p>a) The risk of efficiency losses through overlaps of responsibilities following externalisation. It was subjected to "reinforced monitoring". Directorate S played a role in the frame of its coordination task in respect to the supervision and reporting arrangements for EACEA and in strict collaboration with Directorate R and A as well as with the other parent DGs. During 2007, the cooperation and reporting modalities with the agency have been implemented and are working as intended.</p> <p>b) The 3 other risks were subjected to an action plan "to reduce" their residual</p>

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	Dir. F	Dir. G	Dir. H	Dir. R	Dir. S
2 Risk assessment and management Cf. directorate-specific risks; continued line management (excl. risks monitored via ICC Group)			<p>risks identified for 2008 is given.[...]</p> <p>Risk management</p> <p>This Section briefly comments on the actions that have been undertaken in 2007 to address the risks that were identified:</p> <ul style="list-style-type: none"> • The organisation of targeted sessions with financial officers. These sessions covered topics that either caused difficulties in understanding such as the handling of audit certificates or were new such as the FP7 financial regime. • A task Force on FP6 payments was set up to significantly reduce the time to payment. • Intense follow-up on the timely procurement of studies. As a result the large majority of the studies initiated in the beginning of 2007 were signed in 2007. • Three coaching meetings with beneficiaries were organised to explain in detail the eligibility criteria for costs and the requirements in financial reporting. Moreover a 	<p>Commission-wide exercise. Following functions have been identified as essential and hence, need to be restored within one week in the event of a crisis:</p> <ul style="list-style-type: none"> • financial transactions, especially DG INFSO's ability to continue to receive and pay out Community funds in the context of the IST Research Programme; • handling of notifications received from National Regulatory Authorities (NRAs) according to Article 7 of the EU Regulatory Framework for the electronic communications sector (2002/21/EC); • internal and external communication not directly linked to the crisis communication towards staff and the media; • relations with other EU Institutions necessary to maintain essential business e.g. continuity of priority legislative activity; • executive powers entrusted to the Commission; possible activation of alternatives to normal comitology arrangements (e.g. written procedures instead of meetings); 	<p>risk level:</p> <ul style="list-style-type: none"> - The risk of errors in financial transactions: a number of actions were taken relating to the reinforcement of the external audit function via the creation of Unit S5 and the network of audit correspondents in the operational directorates - The risk linked to the uncertainty of a legal base to stop contract signature for suspicious organisations: the clarification of the procedure to follow has been taken over by Unit S4 - The risk of failure to meeting inter-institutional reporting obligations resulting from secondary legislation vis-à-vis the other institutions: a central database was set up by Unit S3. <p><i>Risks related to the specific activities of the Units: [in the DMR, a table explains the risks related to specific activities of the Units and the corresponding assessment. It also indicates the main actions</i></p>

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	Dir. F	Dir. G	Dir. H	Dir. R	Dir. S
2 Risk assessment and management Cf. directorate-specific risks; continued line management (excl. risks monitored via ICC Group)			<p>checklist - to be used by the coordinator to ensure the correct submission of cost claims - was introduced.</p> <ul style="list-style-type: none"> • Active monitoring of commitments for which the Final Date of Implementation was about or had expired. <p>New actions to be considered for implementation in 2008 include [...].</p>	<ul style="list-style-type: none"> • legal commitments other than those necessary to manage the crisis. 	<i>taken in terms of risk control.]</i>
3 Internal control 3.1 Supervision	<p>Directorate F works in line with the procedures established within DG INFSO. Issues are generally similar across the five research-oriented Directorates. Issues as they arise are taken up and discussed at weekly Unit and Directorate meetings. Aspects relating to administrative and financial procedures are discussed within the Directorate's TQM quality circles, and where necessary raised for implementation and decision at Directorate weekly meetings.</p>	<p>The Directorate is following all established supervision procedures stemming from the existing financial circuits, sub delegations and official rules and guidelines. Some of these procedures have been embedded in IT tools like iFlow, Phoenix, Abac/Si2, PPM, AL2, and have been considerably improved through the addition of checklists, new workflows, increased logging and registration capabilities, facilitated access to documents.</p> <p>Another notable set of supervision systems in place is constituted by the already</p>	<p>The main supervision components are the weekly HoU meetings and the regular meetings of HoU with their staff. In accordance with the existing financial circuits there is a 100% verification of all financial transactions. The further deployment of electronic workflow circuits (iFLOW) supports supervision in the Directorate. Reports on budget execution, time to payment, follow-up of legacy cases etc. are regularly discussed at all levels and when necessary lead to corrective actions – see e.g. the setting</p>	<p>The supervision within Directorate R is assured, where appropriate, by the following key management instruments:</p> <p>Management Plans and Reports</p> <p>A clear mission statement communicates both for Directorate R and its four units the focus of their own role in the provision of services and support to the DG in order to facilitate the achievement of the objectives set. The annual management plan of the DG contains the main priorities and actions for the different service areas of the Directorate. Those priorities are discussed</p>	<p>Supervision within the Directorate has been reinforced via the introduction of yearly detailed work plans for each Unit, whose implementation is regularly monitored through the measures described below:</p> <p>- Mission statements</p> <p>The mission statements of both Directorate S and its Units are communicated to all members of staff through the Intranet and a yearly meeting between the Director and the Units at the beginning of the year. They emphasise Directorate</p>

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	Dir. F	Dir. G	Dir. H	Dir. R	Dir. S
3 Internal control 3.1 Supervision		<p>mentioned (i) weekly Directorate meeting of Units representatives, (ii) weekly meeting of the AFU representatives.</p> <p>Finally, a number of specific supervision arrangements have been pursued within Directorate G during the reference period, as follows:</p> <ul style="list-style-type: none"> • A generic procedure is in place in Dir G to report on potential internal control weaknesses (ICS20) and procedural exceptions (ICS18) by using an ad-hoc functional mailbox accessible via G6 intranet page. [...] • A monthly Budget Execution Report for the directorate is regularly distributed to the Director and HoUs, discussed at Directorate meetings and published on the G6 intranet. [...] • Concerning TCL/AL a quarterly report is produced as a management tool including errors and deviations such as late payments as identified by the AFU. • Finally, it is expected that the wide take up and usage across the directorate of the new PPM (Phoenix Project 	<p>up of a Task Force on FP6 payments. In addition legacy dossiers, debit notes and forecast of revenues are monitored by H5.</p>	<p>between management and staff in dedicated meetings. Where appropriate, this planning is completed by more specific work plans or by project management plans, the latter in particular in the IT development area.</p> <p>Regular reports (either monthly or quarterly) are issued on progress made and actions taken. In addition, progress is monitored and discussed in the weekly bilateral meetings between the Director and the Heads of Unit.</p> <p>Regular Meetings</p> <p>Regular weekly meetings are held at Directorate level both with all Heads of Unit together and in separate bilateral “jours fixes”. At unit level, different schemes of regular meetings are in place, depending on the specific requirements; regular weekly or two-weekly meetings are organised either at unit or at team-/sector level. This guarantees both a continuous and smooth information flow and the monitoring of actions in progress. For any specific requirement, in particular when</p>	<p>S’ support and co-ordination role within DG INFSO and provide an overview of the key roles and responsibilities assumed by Directorate S.</p> <p>- Regular meetings</p> <p>At Directorate level a weekly meeting is held with all Heads of Unit. During this meeting the Head of Units are debriefed on the outcomes of the Directors’ meeting, the ICT-Directors’ meeting, the jour fixe meeting with the Cabinet and other meetings to which the Director has participated. Deadlines are monitored and discussed. Each Unit debriefs on the main activities of the week. Priorities in relation to the work plans as well as unforeseen ones are discussed. Specific tasks are defined and attributed. Follow up is ensured via the minutes of the meeting and verification in the following meeting.</p> <p>Weekly bilateral meetings are also held between the</p>

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	Dir. F	Dir. G	Dir. H	Dir. R	Dir. S
3 Internal control 3.1 Supervision		Management) IT System will have a positive effect on monitoring and control of FP7/FP6 projects, by supporting the POs and the gestionnaires in planning and execution of all related activities. It should also serve as a tool for the line managers and the AFU to supervise such activities via reports and interrogations at unit or directorate level. Finally it should serve as a structured repository for project-related documents which will facilitate the execution and the supervision of project dossier transfer among units/POs e.g. in case of staff mobility or when a reorganisation takes place. The degree of diffusion, usage, and possibly positive effects of the PPM tool among staff will be assessed in the course of 2008.		<p>it is necessary to discuss and define the approach to be taken in a particular case or file, ad-hoc meetings are organised at the appropriate level in order to provide the necessary guidance and support to staff.</p> <p>Follow-up of deadlines</p> <p>All relevant mail and all requests of critical significance are registered with appropriate deadlines for action in ADONIS, which permits a close and timely monitoring of outstanding actions at all management levels.</p> <p>Intranet</p> <p>The extensive use of the intranet for the posting of relevant information assures essential pro-active support both within the units of Directorate R and across the whole DG with regards to the horizontal support and co-ordination functions of Directorate R.</p> <p>Quality Assurance on files other than financial transactions</p>	<p>Director and the Heads of Unit where the activities of the Units are discussed in details, deadlines monitored, necessary actions planned and specific critical files evaluated with the Director.</p> <p>Meetings are also held with staff responsible for specific files to discuss specific issues. For this kind of meetings, minutes are produced in order to record actions to be taken and related deadlines.</p> <p>The Directorate's contribution to the high level meetings (Director, ICT, jour fixe with the Cabinet, other meetings like ABM steering, APC, ICC, etc) are monitored regularly by establishing a monthly planning and weekly verification.</p> <p>Since Directorate S does not dispose of an Administration and Finance Unit all administrative matters, both of financial and human resources nature, are dealt with at</p>

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	Dir. F	Dir. G	Dir. H	Dir. R	Dir. S
3 Internal control				All files which are not financial transactions are subject to quality assurance controls by hierarchical superiors. In the case of files submitted to the Director General such quality assurance controls are exercised both at Head of Unit and Director's level.	Directorate level. The planning in terms of needs is established at the beginning of the year and updated regularly, following inputs required by Directorate R or other internal necessity.
3.1 Supervision				<p>Financial Verification</p> <p>The financial verification of all transactions processed by Directorate R is executed by experienced financial agents, supported by dedicated checklists and based on guidelines and manuals. Files containing identified errors are submitted to the initiators of the transaction for correction and the event is recorded.</p> <p>User satisfaction</p> <p>At the end of 2006, Directorate R launched its first User Satisfaction Survey, aimed at identifying areas of further improvement. The results of the satisfaction survey were analysed and discussed during the Directorate R Management Seminar, which took place in</p>	<p>- Follow-up of deadlines</p> <p>All relevant mail is registered in Adonis, which allows a close monitoring of coming and expired deadlines through its 'alert'-functionality. Record of deadlines is also kept at Directorate level and checked on a daily basis.</p> <p>- Attributions</p> <p>Within Directorate S, the attributions are done at Directorate level.</p> <p>- Quality assurance of Directorate S' output</p> <p>Quality control of all files is exercised by the hierarchical relevant supervisors. All files to the signature of the Deputies Director-General, of the</p>

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	Dir. F	Dir. G	Dir. H	Dir. R	Dir. S
3 Internal control				December 2006 and gave rise to unit action plans for improving their service. Users' satisfaction during 2007 will again be measured by means of the second satisfaction survey which was launched on 28 January 2008.	Director-General or the Cabinet, are verified at Directorate level. All controversial or potentially critical files, even if signed at the Head of Units level, are endorsed at Directorate level.
3.1 Supervision					<i>[The DMR also include, details about the supervision at Unit Level]</i>
3.2 Exceptions	No exceptions in accordance with the note by the Director General of 28/04/2003 (220391) are reported. No overruling has occurred and only exceptions which are of limited relevance and non-systemic have taken place (e.g. extension of FDI after expiration). Any such cases have been duly documented in the related file as required.	In accordance with the note by the Director General of 28/04/2003 (220391) two exceptions have to be reported during the year of reference. Apart from these, described below, only exceptions considered of a limited relevance and non-systemic nature have taken place (e.g.: extension of FDI after its expiration, re-opening of a file after termination because of miscalculations leading to a COS , late signature of Appointment Letters). All these minor cases have anyway been properly documented in the related file – and logged through the appropriate administrative /financial IT tools - as	Exceptions were duly recorded and justified in the individual dossiers and approved by the Director. These exceptions concern essentially (i) the extension of the Final Date of Implementation (FDI) after the FDI expired (ii) the initiation of new commitments for existing payment obligations ('COS'), (iii) signing of appointment letters after the task of the expert has started (iv) occasionally the extension of procured contracts and (v) late payments. In accordance with the note by the Director General of the 28/04/2003 (220391),	No overruling has happened in 2007 and only exceptions considered being non-systematic and of limited relevance have taken place.	Not applicable.

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	Dir. F	Dir. G	Dir. H	Dir. R	Dir. S
3.2 Exceptions		<p>requested.</p> <p>EXC-1: Stand at ITS conference at Aalborg – non-respect of C4 framework contract stipulations by contractor D-SIDE => OVerride</p> <p>EXC-2: A posteriori framework contract commitment (after some of the work has been done) due to exceptional circumstances (time pressure cf. High Level Conference in Braga) => ACcepted.</p>	<p>these exceptions were considered as minor deviations that do not need to be reported. These exceptions were accepted by the verifying agent (no formal 'overruling' was applied) and they have no policy nor systemic dimension, nor set precedents</p>		
3.3 ICS difficulties and weaknesses	<p>With respect to all ICS, Directorate F contributed to ongoing DG activities, implemented recommendations as they arose and otherwise maintained awareness of staff as to ICS issues in 2006. Implementation of ICS is also about suggestions for improvement, and in this respect in 2005, Directorate F proposed several modifications to current procedures with a view to their simplification, as shown below. The Directorate believes that these suggestions can help overall with</p>	<p>No specific difficulties or weaknesses to report in 2007.</p>	<p>A system to record weaknesses in Directorate H is in place and staff was informed on 19 May 2005. Any weaknesses observed by Dir. H personnel should be reported to a functional mailbox. To date no weaknesses have been reported through this mechanism.</p>	<p>ICS 11 (all units)</p> <p>Electronic filing in Adonis still not at 100% (average of ~93 % at 31.12.2007 as compared to an average of 90% at 31.12.2006). Partially due to vacancies and frequent changes of AST staff at unit level.</p> <p>Problem has been taken up in the weekly meetings at Directorate's and units level. Further improvement to be expected in 2008.</p>	<p>Within Directorate S, some remaining difficulties and weaknesses were identified in terms of ICS 19 (Continuity of operations).</p> <p>In view of the large variety of tasks and responsibilities which are allocated to Directorate S, back-ups may not have covered all tasks and responsibilities, due to a lack of similar skills and experience for highly specialised tasks.</p> <p>Back-ups have been</p>

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Part B: INFSO Directorates F, G, H, R and S

	Dir. F	Dir. G	Dir. H	Dir. R	Dir. S
3.3 ICS difficulties and weaknesses	<p>performance in the management of research programmes:</p> <ul style="list-style-type: none"> • Introduction of electronic signatures; • Establishment of one central and single recording of legal information on contractors (to resolve inconsistencies in FEL, OMM and iOMM databases); • Introduction of a “unique identifier” for organisations, which can simplify issues concerning their identification and help avoid delays, e.g. due to simple misspellings of organisation’s local language name. <p>Directorate F notes with interest, and some concern, that these items are still not fully implemented as DG INFSO enters the new FP7 work programme.</p> <p>There follows a list of ICS for which the Directorate encountered difficulties achieving complete implementation and/or for which any deficiencies and weaknesses are to be reported, plus remedies applied. [...]</p> <p>Further point = EC representation on the Board of</p>				<p>identified for all functions that are considered essential. Units continue to ensure that adequate training is given to back-ups.</p>

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Part B: INFSO Directorates F, G, H, R and S

	Dir. F	Dir. G	Dir. H	Dir. R	Dir. S
3.3 ICS difficulties and weaknesses	<p><u>Trustees of HFSP</u></p> <p>The Head of Unit F1 has been authorised by the INFSO Director General to be one of the two representatives of the EC in the Human Frontier Science Programme Board of Trustees (HFSP BOT). In that capacity he has given a proxy to O. Quintana-Trias, director of RTD/F-“Health” and second representative of the EC, to represent him in board meetings held in 2007. O. Quintana-Trias has acted within the internal control framework set-up in DG RTD to represent the Commission in the BOT. Financing decisions related to the contribution of the IST priority to HFSP were taken by the INFSO Director General and related payments followed the financial circuit in Directorate F. The other decisions related to the participation of new states to HFSP were taken by the College. This item was previously reported in the Directorate’s Management Reports of 2004-2006.</p>				

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Part B: INFSO Directorates F, G, H, R and S

	Dir. F	Dir. G	Dir. H	Dir. R	Dir. S
4 Recommendations and inquiries 4.1 status of financial audit results 4.1 status of financial audit results	<p>Directorate F implements the audit results on a regular and timely basis coming from external audits. The Directorate does not wish to raise any particular management issue in this respect.</p>	<p>Regarding external audits of FP5 and FP6 projects, figures and general statistics are available on request from the S5 External Audit Unit and from the reporting facility in ARPS (DG INFSO local IT system). For Directorate G, figures relating to audits closed in 2007 are reported in Chapter 1.4.2. with the detail per unit, and with limitation to audits' implementation as explained in the same chapter.</p> <p>Overall, considering current and past years audits, the situation at the end of 2007 was the following:</p> <ul style="list-style-type: none"> • FP5/FP6 audits in progress (in Dir. G projects): 40 • FP5/FP6 audits pending implementation (of audits results or their extrapolation): 80 • FP5/FP6 audits whose implementation has been taken (in 2007): 72 <p>Such data are in line with previous periods' figures and DG INFSO averages.</p> <p>With the growing number of new FP6 audits planned to be finalised in the short-medium term, it is now expected: (i)</p>	<p>Information on the implementation of external audits is available through ARPS. In accordance with the procedures in place in the DG all relevant requests for audit implementation are recorded in ARPS and transmitted to the operational Units. In total 81 audits were implemented during 2007 and there are 59 audit implementations in progress or pending. Towards the end of 2007 within the Directorate a network of Unit audit representatives was set up. The aim of the network is to monitor the implementation of audit results, establish a common approach in the implementation of audit results and discuss any specific audit cases. The Directorate participates in the EPAC 'Ex-post Audit Correspondents Network' and within the AFU one staff member has been tasked to assist the Unit in the implementation of audit results. In 2007 special attention was given to progress the implementation of very old audit results.</p>	<p>None for 2007.</p>	<p>Regarding the financial audits, see S5's annual report in annex I to the DMR.</p>

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Part B: INFSO Directorates F, G, H, R and S

	Dir. F	Dir. G	Dir. H	Dir. R	Dir. S
4.1 status of financial audit results		<p>that a comprehensive and practical guideline on the implementation and extrapolations of FP6 audit results will be made available ASAP, (ii) that the ARPS system, used to monitor audit implementations, will soon be interfaced with iFlow/Phoenix, and its reporting capabilities improved.</p> <p>In addition in 2007 Directorate G has (practically) finalised the implementation of all pending audits implementations from FPs previous to FP5: the last 5 remaining dossiers have in fact been closed in January 2008.</p>			
4.2.a Implementation status of earlier audits	n.a.	<p>A number of audits and risk assessment exercises have closed their activity in the course of 2007 (or previously). The related recommendations have been considered and action plans have been drafted in order to tackle the shortcomings addressed. Such actions have been always been discussed and regularly followed up in the weekly meetings of the AFUs, the</p>	<p>The Directorate participated in the following audits:</p> <ul style="list-style-type: none"> • Internal audit on project reviews in FP6-IST. The audit recommendations were discussed in a working group to which the Directorate actively participated. • Internal audit on financial statements' processing and payment process in FP6-IST. Remedial action has 	None for 2007.	<p>In the context of the 2005 IAC's "Internal audit of financial management within Directorate INFSO-A (phase 1)", S2 has implemented recommendation (n°3) about enhancing the monitoring of recording/reporting exceptions. On 31 December 2005, this recommendation was</p>

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Part B: INFSO Directorates F, G, H, R and S

	Dir. F	Dir. G	Dir. H	Dir. R	Dir. S
4.2.a Implementation status of earlier audits		great majority of the issues being common to several Directorates. Risks and actions have also been regularly monitored in the framework of the internal Control Coordination Group (ICCG). As far as Directorate G is concerned, no specific risks or actions have to be reported in 2007. [...]	been undertaken as appropriate and in cooperation with the horizontal services and other operational Directorates		<p>already partially implemented. The full implementation has now been done (cf. re-adjustment of DMR, iFlow features, procedure and guidance reviewed, and central monitoring which remains a recurrent process).</p> <p>Regarding the 2006 IAS audit on "ex-post controls", which affected in particular S5, the implementation of the action plan has been carried out for all key actions according to schedule. Matters of priority were the increase of the audit coverage by implementing the common FP6 audit strategy concerning the number of audits foreseen to be launched in 2007, the application of the selection methodology and the consistent extrapolation of audit results to non-audited projects and periods as well as the implementation of audit results.</p>

2007 DMRs - chapters on management issues 2-6 (overview)

Part B: INFSO Directorates F, G, H, R and S

	Dir. F	Dir. G	Dir. H	Dir. R	Dir. S
4.2.b New audits	<p>Directorate F contributes regularly to audit plans, contributes to requests to establish external audits, and implements audit results as required. The Directorate wishes to raise no specific further management issues.</p>	<p>The following internal audits of DG INFSO practices and business process which took place – or continued - in 2007 have seen a direct contribution from Directorate G:</p> <ul style="list-style-type: none"> - Internal audit of the Financial statement processing and payment process in the FP6-IST programme (IAC). - Internal audit of the legacy of open commitments from previous programmes (IAC). - Audit of the projects' review process in the FP6- IST programme (IAC) - Audit of Research DGs Information Systems (IAS): This audit concentrates on the IT systems and tools, common and local, that are used by the different RDGs to manage research and non-research programmes. It aims at finding possible gaps as well as space for improvements through exchange of good practices. - Internal audit on administrative and financial support from OS & AFU (IAC): Mission, business 	<p>During 2007 a number of new audits to which the Directorate participated were launched as follows:</p> <ul style="list-style-type: none"> • Internal audit of the legacy of open commitments from previous programmes. A draft report on this was submitted at the end of 2007 and comments will be provided in 2008. • Internal audit on administrative and financial support by OS/AFU. The audit is ongoing and comments on the observations were provided in early 2008. • Internal audits on ethics • Internal audit on FP7 negotiations – audit ongoing. <p>In addition interviews with staff in Directorate H took place in the context of an Internal Audit Service audit on the DG INFSO recovery process.</p>	<p>During November and December 2007, the IAS performed an audit on Research Information Systems. Unit R4 contributed on the following aspects:</p> <ul style="list-style-type: none"> - IRM-Infrastructure; - Computer Rooms; - LSA/DBA; - LISO; - DRP. <p>All questions were answered and the contributions were validated under the supervision of Directorate S. No recommendations were received yet from IAS.</p>	<p>During 2007 the IAS has performed three audits which involved DG INFSO as well:</p> <ul style="list-style-type: none"> - AAR Assurance Process (see below) - RDGs' IT systems (still ongoing) - Recovery Orders (still ongoing)

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Part B: INFSO Directorates F, G, H, R and S

	Dir. F	Dir. G	Dir. H	Dir. R	Dir. S
4.2.b New audits		<p>practices and processes relating to the Administrative and Financial Units are being examined.</p> <p>- High Level Risk Assessment (HLRA) 2007. The list of DG-wide top level risks as well as the lower level ones have been updated, and the list of the related mitigating actions revised. The list of lower level risks – continued line management - has also been revised/optimised .</p>			
4.2.c Any inconsistencies	<p>The Directorate has no specific additional management issue to raise under this point.</p> <p>The Directorate would like to reiterate its request to unit S2 to ensure timely follow-up by OLAF of anti-fraud investigations, and regular reporting to enable the Directorate to manage its contractual and financial obligations with respect to investigated organisations.</p>	No discrepancy with auditors' opinion has to be mentioned in the reference period.	None	None for 2007.	<p>In the context of the IAS 2007 audit of the AAR Assurance Process, which was mainly addressing SG's AAR procedures, but looked into a number of DG-internal procedures as well (DMRs, ICS reviews, exceptions recording/reporting), the contradictory phase has been rather difficult, not only on DG INFSO's part, but also on the general part related to SG and the AAR instructions as such. In the end, the IAS substantially agreed that</p>

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Part B: INFSO Directorates F, G, H, R and S

	Dir. F	Dir. G	Dir. H	Dir. R	Dir. S
					DG INFSO has complied with the SG instructions (which e.g. allow flexibility in certain areas) and that any IAS suggestion in this context should be addressed to SG for consideration first (and not as recommendations to the individual DGs). On the other hand, DG INFSO accepted the suggestions and recommendations to expand and/or better formalise its current internal procedures (e.g. DMRs, exceptions) – which in the meantime have already been implemented.
5 Opinions of the Director 5.1 Overall opinion on internal control system	Implementation and follow-up of ICS within the Directorate is monitored through different means (Unit and Directorate Meetings, Directorate and cross-Directorate AFU meetings, TQM quality circles). In 2007, Directorate FRS ICS compliance is considered by the Director and Heads of Unit as satisfactory. There is no need to highlight any aspect which can be considered critical.	As of today, Directorate G ICS compliance is overall satisfactory and does not show any specific situation that can be regarded as critical. Anyway, even considering the responsibility to control the expenditure of public money, it is my opinion that there should be a better balance between the number and complexity of control measures in place and the amount of resources dedicated to such controls, in comparison with the resources dedicated to actual operations	<i>Taking into account the objectives of my Directorate and the risks deriving from the management environment and the nature of the operations, I have established, maintained and enhanced the management and control systems in my Directorate (which comply with the internal control standards set by the Commission) in order to provide reasonable assurance that suitable controls are in place and working as intended to</i>	<i>Taking into account the objectives of the Resources Directorate and the risks deriving from the management environment and the nature of the operation, I have established, maintained and enhanced the management and control systems in the Resources Directorate (which comply with the internal control standards set by the Commission) in order to provide reasonable assurance that suitable controls are in place and working as intended to reduce or keep risk exposure</i>	On the basis of what analysed and described under chapters 2 and 3, Directorate S' compliance to the ICS can be assessed as being satisfactory and does not show any specific situation that can be regarded as critical. The Directorate considers that the internal control systems put in place are appropriately conceived and that they correspond to the defined requirements. In a limited number of cases (referred to above in

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Part B: INFSO Directorates F, G, H, R and S

	Dir. F	Dir. G	Dir. H	Dir. R	Dir. S
5.1 Overall opinion on internal control system		<p>in “vertical” units.</p> <p>Note: Implementation of ICSs in Directorate G is continuously monitored by means of Directorate meetings and discussed at the AFUs meetings. Additionally, it is worth mentioning that with the completion and introduction of more and more sophisticated IT tools, internal control is embedded into the procedures and workflows implemented by means of such tools. Notable examples of such tools are iFlow, ARPS, PPM that all embed ICS compliant procedures in their flows.</p> <p><i>Taking into account the objectives of my Directorate and the risks deriving from the management environment and the nature of the operations, I have established, maintained and enhanced the management and control systems in my Directorate (which comply with the internal control standards set by the Commission) in order to provide reasonable assurance that suitable controls are in place and working as intended to reduce or keep the risk</i></p>	<p><i>reduce or keep the risk exposure at an acceptable level.</i></p>	<p><i>at an acceptable level.</i></p> <p>In a very limited number of cases further efforts are to be made to increase the effectiveness in the use and implementation of established procedures, thus contributing to further improving overall performance.</p> <p>However, as from 1st November 2007, the Resources Director left on retirement, after which the Head of the Human Resources Unit had to assume the role and responsibilities of Resources Director, while remaining also Head of Unit of Unit R1, a situation which inevitably affected the (continuity of the) guidance, procedures and working environment.</p>	<p>chapter 3.3), further efforts need to be made to increase their effectiveness and to further improve the overall performance.</p> <p><i>Taking into account the objectives of my Directorate and the risks deriving from the management environment and the nature of the operations, I have established, maintained and enhanced the management and control systems in my Directorate (which comply with the internal control standards set by the Commission) in order to provide reasonable assurance that suitable controls are in place and working as intended to reduce or keep the risk exposure at an acceptable level.</i></p>

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Part B: INFSO Directorates F, G, H, R and S

	Dir. F	Dir. G	Dir. H	Dir. R	Dir. S
5.2 Suggestions for ICS priorities	n.a.	<p><i>exposure at an acceptable level.</i></p> <p>ICS 3 : Staff Allocation and Mobility. "The allocation and recruitment of staff should be based on the DG's objectives and priorities. Management should promote and plan staff mobility so as to strike the right balance between continuity and renewal." See justification under "new risk" in Chapter 2.</p>	<ul style="list-style-type: none"> • <i>ICS 10: Business continuity – in view of the high turnover of staff and dependency on interim staff</i> • <i>ICS 8 – Processes and procedures – in view of the obligation to make late interest payments</i> 	<p>Taking into account Directorate R's core activities and changes that are occurring in the field of its expertise, Directorate R would suggest focusing on following ICS:</p> <ul style="list-style-type: none"> • ICS 2 – Ethical and organisational values; • ICS 3 – Staff allocation and mobility; • ICS 4 – Staff evaluation and development; • ICS 10 – Business Continuity; • ICS 13 – Accounting and financial reporting. 	<p>[...]</p> <ul style="list-style-type: none"> - effectiveness of Business Continuity Plan (BCP) - effectiveness of Data Protection arrangements - effectiveness of INFSO's policies on sensitive functions and forced mobility
5.3 Remarks on previous AAR qualifications	n.a.	None	None	<p>Although significant action had already been undertaken during the course of the year 2006 by the Human Resources Unit, the AAR 2006 still maintained the reservation with regard to the regularisation of research budget personnel working in purely operational activities. Given the actions described below, DG INFSO is now in a position to dissolve this reservation for the AAR 2007.</p> <p>[...]</p>	<p>In the AAR 2006, there were two reservations related to the residual error rate in the implementation of the Framework Programmes. For FP5, the audits conducted over the whole of the Framework Programme resulted in a residual error rate which was higher than the materiality threshold established (which was 3% for FP5). For FP6, the number of audits concluded</p>

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Part B: INFSO Directorates F, G, H, R and S

	Dir. F	Dir. G	Dir. H	Dir. R	Dir. S
5.3 Remarks on previous AAR qualifications				To note that, with regard to the 50 operating budget permanent posts that will be transferred from DG RTD to DG INFSO in 2008, sufficient buffer shall be created to tackle any ad hoc cases that would require a solution in purely operating units.	in 2006 was not significant enough to provide a sufficient basis for assurance.
5.4 Any material issue for declaration	No further matters of importance are recorded.	None	None	None	As regards the evolvement on these issues in 2007, I refer to the information as contained in Annex I, External Audits Synthesis Report 2007. None.
6 Director's judgement	Unqualified opinion.	Unqualified opinion.	Unqualified opinion.	Unqualified opinion.	Unqualified opinion, except: As regards the issues on research spending, I refer to the information as contained in details in the External Audit Synthesis Report 2007 annexed to this report, and in particular to conclusions relating to FP6 and FP5 respectively, as set

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Part B: INFSO Directorates F, G, H, R and S

	Dir. F	Dir. G	Dir. H	Dir. R	Dir. S
6 Director's judgement					out in points 6.3 and 6.4.

ANNEX E1 - INFO FILES/CASES WITH OLAF – CHANGES BETWEEN 01.07.2007 AND 29.02.2008

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Affaires générales

Soutien au management

Bruxelles, le 6/12/2007

DG INFSO - S2/FS D(2007) 851146

**COMPTE-RENDU ET CONCLUSIONS OPERATIONNELLES DE LA REUNION DU 03/12/2007
AVEC L'OLAF-A3**

Participants: Thierry Cretin (OLAF-A3), Freddy Dezeure (INFSO-S5), Armand Rauch
et Fabienne Stordeur (INFSO-S2)

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(signé)
F. Stordeur

Annexe: INFISO contractors/projects under OLAF investigation – detailed monitoring table as of 3/12/07

Copie: W. Schwarzenbrunner; participants à la réunion

State of play on the European Ombudsman's files
Status overview

Limited

DG INFSO "Chef de file"

Name of the complaint	Date of reception of the complaint	Background	Steps taken	Next steps
N° 2597/2007/RT	14.11.2007	This complaint concerns the project under contract I . The complainant alleges that the Commission did not pay the eligible costs and failed to explain its delay. In addition the complainant alleges that the Commission did not reply to its e-mail dated 7 March 2007. The complainant finally claims the eligible costs to be paid.	Attribution to DG INFSO/Cabinet Reding: 14.11.2007 Draft reply prepared by Unit H2: 28.11.2007 DG BUDG's approval on: 28.01.2008 LS 's approval on: 22.02.2008 Cabinet's approval on: 03.03.2008 Dossier sent to the Cabinet for Mme Reding's signature on: 06.03.2008	Comments of the Commission to be sent to the Ombudsman European Ombudsman's closing decision

State of play on the European Ombudsman's files
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Limited

N° 2415/2006/ELB	29.09.2006	<p>The complainant alleges that the claimed costs for technical managers and secretaries should be considered as eligible for the three projects concerned (.....).</p> <p>The complainant argues that, during the projects, these costs which were clearly identified were agreed by project and financial officers and paid according to its requests. In addition, the complainant claims the remission of the debt claimed by the Commission (495.598,56 €) and the reimbursement of the amount of 244. 886,45 €, which the Commission has set off against sums the complainant was entitled to.</p>	<p>Attribution to DG INFSO/Cabinet Reding: 06.10.2006</p> <p>Comments of the Commission sent to the Ombudsman: 24.01.2007</p> <p>European Ombudsman's closing decision: 06.08.2007 (no maladministration)</p>	none

State of play on the European Ombudsman's files
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N° 1466/2007/VIK	28.06.2007	The European Ombudsman has decided to transfer the above-mentioned complaint to the Commission since it does not refer to an alleged instance of maladministration of a Community Institution but alleges possible infringement of Community law by national authorities.	Attribution to DG INFSO/Mr. Colasanti: 04.07.2007 INFSO/B3 sent a note to the complainant explaining on one hand how to introduce an "infringement procedure" and to tell him that the Bulgarian form exists right now: 19.07.2007 Reply to the Ombudsman enclosing the note to the complainant: 19.07.2007 (sent by SecGen)	none

State of play on the European Ombudsman's files
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N° 2392/2005/OV	14.11.2006	<p>The complainant () contests the change from “additional cost” model to “full Cost Flat rate” model which was proposed by the EC services through a contract amendment in order to be in line with the FP5 rules for participation. Following a first request for information from the European Ombudsman and the corresponding comments by the Commission on 02.12.2005, the complainant replied on 12.01.2006, maintaining his claim (loss of money due to change of cost model). As a follow up the Ombudsman sent to the Commission on 14.11.2006 a new request for further information notably on the contractual basis and exact reasons for the requested change of cost model.</p>	<p>Attribution to DG INFSO/Cabinet Reding: 14.11.2006 Comments of the Commission sent to the Ombudsman: 26.02.2007 Request for friendly solution: 31.01.2008</p>	<p>Comments of the Commission to be sent on: 31.03.2008 Possible Draft Recommendation from the Ombudsman (if DG INFSO refuses the friendly solution) European Ombudsman's closing decision & possible maladministration and report to the Parliament (if DG INFSO refuses the friendly solution)</p>
	5.04.2005	<p>For the initial complaint the context was the following: 1. the Commission's alleged failure to inform the complainant about the status of his complaint concerning several Member States' failure to comply with Community law in the field of the single emergency call number, 112 ; and 2. the Commission's alleged failure to reply to the complainant's proposal for an action programme for the year 2005 in the field of the single emergency call number, 112.</p>	<p>Request by the Ombudsman for further information: 06.01.2006 Closing decision of the Ombudsman: 01.12.2006 Comments of the Commission on the critical & further remarks: 30.07.2007</p>	<p>none</p>

State of play on the European Ombudsman's files
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Limited

<p><u>Initial complaint:</u> N° 1096/2004/TN</p> <p><u>Further request:</u> N° 880/2005/TN</p>		<p>In his closing decision the European Ombudsman considered that the Commission's failure to inform the complainant about the status of his complaint constitutes an instance of maladministration. He encouraged the Commission to align the different linguistic versions of the communication setting out the applicable rules of procedure and in addition suggested that the Commission would be required to inform complainants on its own initiative whenever it finds itself unable to complete its examination of a complaint within the period of one year.</p>		
<p>N° 977/2006/IP</p>	<p>19.06.2006</p>	<p>The complainant claimed that the Commission should provide him with a reasoned reply to the issue that he has raised, i.e. to know why the Commission had been entitled to own the domain "iter.eu" and to receive information on the purpose of the relevant legislation.</p>	<p>Attribution to DG INFSO/S2: 20.06.2006 Comments of the Commission sent to the Ombudsman: 28.09.2006 Additional request for explanations from the Ombudsman's services (by e-mail): 18.06.2007 Reply from INFSO/S2 in collaboration with INFSO/A3 by e-mail explaining that the complainant had contact with Eurid (the ".eu" Registry) and that the situation remains unchanged: 09.07.2007 European Ombudsman's closing decision: 05.09.2007 (no maladministration)</p>	<p>none</p>

State of play on the European Ombudsman's files
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N° 1785/2005/OV	13.06.2005	The Ombudsman sent to the Commission on 14.06.2007 a new request for further information following a first request for information where the complainant maintained his earlier complaint related to the EC project (delay in interim payment, final payment outstanding and abuse of power by the EC services by auditing the conference income and expenditure) claiming for compensation.	Date of the Ombudsman's first request for info to Commission: 13.06.2005 Comments of the Commission sent to the Ombudsman: 03.01.2006 Date of the Ombudsman's further request for info: 14.06.2007 Comments of the Commission sent to the Ombudsman: 13.12.2007	European Ombudsman's closing decision: awaiting (between 6 months & 1 year)
N° 1471/2007/RT	23.07.2007	The complainant claims the reimbursement for all eligible costs while he only declared 70% of them in his costs statements (by applying mistakenly the rules of FP5 while the project was part of FP6).	Attribution to DG INFSO/Cabinet Reding: 23.07.2007 Comments of the Commission sent to the Ombudsman: 06.11.2007 European Ombudsman's closing decision: 6.12.2007 (no maladministration: DG INFSO finally proposed a friendly solution to the complainant and paid all eligible costs) European Ombudsman's press release: 18.12.2007	none

State of play on the European Ombudsman's files
Status overview

Limited

DG INFSO associated

Name of the complaint	Date of reception of the complaint	Background	Steps taken	Next steps
N° 3158/2006/IP	01.02.2007	The complainant alleges that the Commission failed to take a decision on his complaint (non-notification of an Italian legislation on the operating of its electronic network used to connect legal games submitted on 07.11.2005, and claims that the Commission should take a decision.	Attribution to Cabinet Verheugen /DG ENTR: 07.02.2007 DG ENTR asked for DG INFSO contribution: 09.03.2007 DG INFSO forwarded its contribution to DG ENTR: 13.03.2007 Comments of the Commission sent to the Ombudsman by DG ENTR: 07.05.2007	European Ombudsman's closing decision: awaiting (between 6 months & 1 year)

State of play on the European Ombudsman's files
Status overview

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N° S043628	28.04.2006	Multiple complaints concerning “notices of competition in the Research area”, which would be incomplete. In view of the general character of the issue raised by the Ombudsman, at the request of , all possibly concerned services have been associated (DG INFSO included). In its answer to the further remarks the Commission notably confirms that improvements in the practices for recruitment in the have been implemented resulting in better quality control of vacancy notices and the establishment of clear guidelines on their drafting.	Attribution to Cabinet Potocnik (DG RESEARCH): 04.05.2006 asked for DG INFSO contribution: 16.06.2006 DG INFSO's agreement on the position of : 20.06.2006 European Ombudsman's closing decision (with further remarks): 19.12.2006 asked for DG INFSO contribution to its reply to the further remarks: 15.05.2007 DG INFSO's agreement on final position of : 14.06.2007 Comments of the Commission (by) sent to the Ombudsman: 11.07.2007	European Ombudsman's closing decision: awaiting (between 6 months & 1 year)
N° 3697/2006/PB	05.02.2007	This complaint concerns the Commission's handling of the complainant's application for public access to a number of documents (Report on Mobile access market competition, MVNO/access and bottlenecks, ERG (06)45 and Internal report on Mkt 18 analysis, ERG (06)47).	Attribution to Cabinet Barroso (SecGen): 06.02.2007 SecGen asked for DG INFSO contribution: 03.05.2007 DG INFSO forwarded its contribution to SG-E3: 08.05.2007 SecGen made comments on INFSO contribution: 10.05.2007 DG INFSO gave its final approval to SG-E3: 10.05.2007 Comments of the Commission sent to the Ombudsman by SG-E3: 04.06.2007 European Ombudsman's closing	Reply to the Ombudsman's critical & further remarks to be drafted by SecGen. DG INFSO will be associated (waiting for the SecGen's request for contribution). No deadline provided for by the internal procedure SEC(2005) 1260 dated 21.10.2005.

State of play on the European Ombudsman's files
Status overview

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			decision: 22.10.2007 (Instance of maladministration)	
N° 488/2007/PB	24.05.2007	The complainant alleges that the Commission failed to give valid and adequate grounds for its rejections of his confirmatory application for full access to the documents requested.	Date of the Ombudsman's sending to the Commission: 24.05.2007 Attribution to Cabinet Barroso (SecGen): 31.05.2007 SecGen asking for DG INFSO contribution: 22.08.2007 DG INFSO forwarded its contribution to SG-E3: 30.08.2007 Comments of the Commission sent to the Ombudsman by SG-E3: 01.10.2007	European Ombudsman's closing decision: awaiting (between 6 months & 1 year)
N° 2681/2007/PB	17.01.2008	The complainant claims that the Commission has given the Ombudsman untrue information with regard to document ERG (06) 45a. In its reply to the Ombudsman concerning complaint No 488/2007/PB, the Commission stated that this document (a submission note) had not been prepared and thus there was no document with reference number ERG (06) 45a. The complainant submits that he has obtained this document from two independent sources	Attribution to Cabinet Barroso (SecGen): 18.06.2007 SecGen asking for DG INFSO contribution: 29.01.2008 DG INFSO forwarded its contribution to SG-E3: 05.02.2008 SecGen asking for modifications: 12.02.2008	DG INFSO final contribution to be sent around 21.02.2008 Comments of the Commission to be sent to the Ombudsman by SG-E3 European Ombudsman's closing decision