



Bi-Annual Management Report DG INFSO

01 July 2011 – 31 December 2011



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1. Introduction

This Bi-annual Management Report (BMR) covers the period from 1 July to 31 December 2011 and is accompanied by a set of Annexes containing more detailed information. The report complies with the Code of Conduct for Commissioners (SEC(2004) 1487/2), the Communication of 10.02.2010 on the Working Methods of the Commission 2010-2014 (C(2010) 1100), and the Procedures agreed between DG INFSO and the Commissioner and her Cabinet.

In order to avoid repetition, the BMR refers – where appropriate - to the DG INFSO Annual Activity Report 2011 and presents only information that is complementary to it.

2. Implementation of the 2011 Budget

The detailed results of budget implementation on 31.12.11 are documented in the Annual Activity Report 2011 (see Annex III of the AAR 2011) covering the full year 2011.

2.1. Commitment & Payments

Statistics for 2011 show further consolidation of the positive trend in payments processing recorded in the past years. An improvement up to 98% was achieved in terms of underlying value of payments carried out within contractual time-limits (94% in 2010). In terms of number of transactions an improvement was also achieved, as 97% of the payments were paid within contractual time-limit versus 96% in 2010.

Table 1: % 2010-2011 payments within contractual time-limits (value)

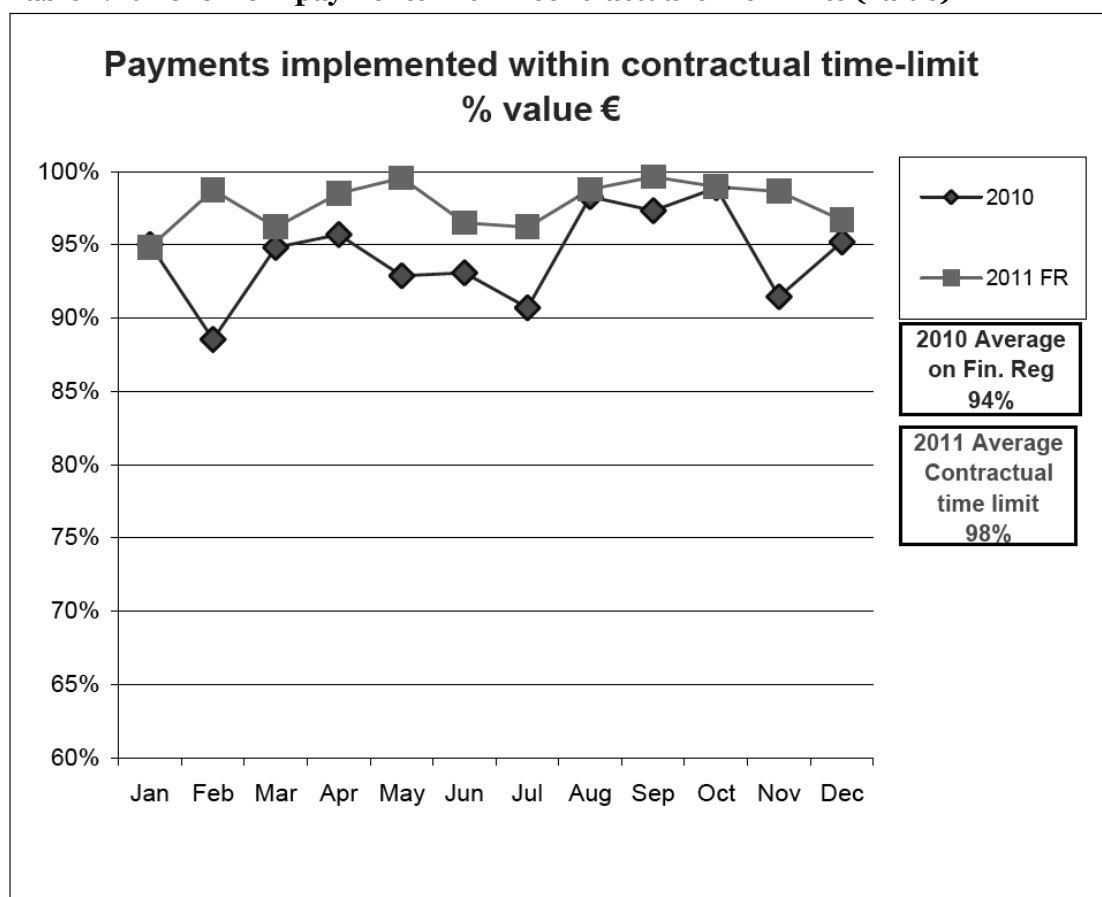
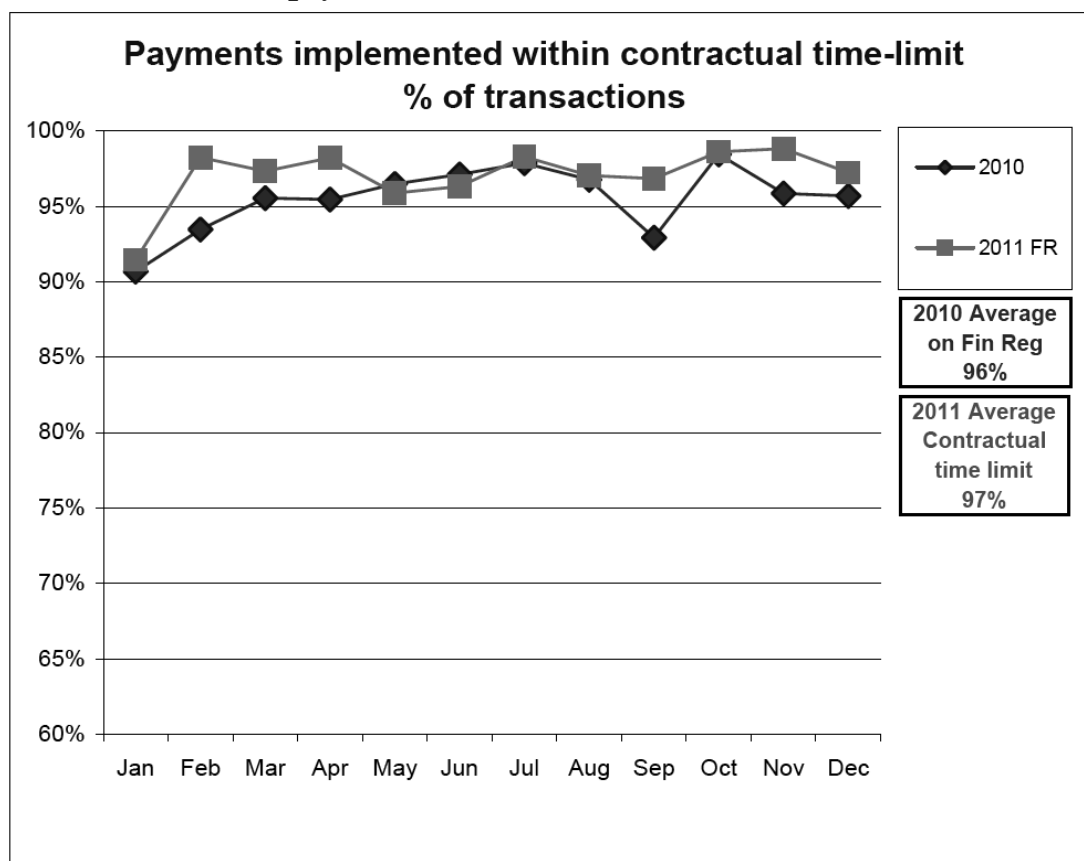


Table 2: % 2010-2011 payments within contractual time-limits (number)



The positive trend is reflected in the breakdown by Directorate and by type of transaction (see table 3). Average payment times improved substantially for three out of the four categories of payments: projects, meetings and procurement. The recorded performance of prior year for evaluations and reviews was maintained.

Project payments, which represent 94% of the total value of payments, were a significant contributor to the improvement of the annual average value of payments processed within contractual time-limits, with a score of 98% versus 96% prior year. A very significant improvement was experimented by procurement payments, which improved the percentage of payments within contractual time limits from 84% to 95%, contributing to the overall improvement.

In terms of number of payments, 55% were for evaluations and reviews, 16% for projects, 15% for procurement and 14% for meetings. The percentage of meeting payments processed within contractual time limits improved significantly from 94% to 98%, certainly due to the simplification in the financial circuit implemented in the first half of 2011.

This steady improvement is once again the result of continuous investment in IT tools to support payments.

Table 3: %Breakdown by Directorate and by type of transaction

2.2. Status of Recovery Orders

During 2011 DG INFSO continued to further improve the procedures and processing of recovery orders, issuing new and following up existing open recovery orders.

In 2011 DG INFSO issued 391 new recovery orders for an amount of EUR 20.7 million, 224 recovery orders were related to audit implementation and extrapolation, and a further 109 were issued as a result of the application of liquidated damages. In addition, 26 recovery orders were issued to recover amounts paid in excess, 8 were related to liquidation and termination of beneficiaries, 5 to recoveries of the initial contribution to the Participants Guarantee Fund and 19 for other reasons.

In addition, in 2011, DG INFSO issued 5 recovery orders related to the contribution of candidate countries to the EU programmes, for an amount of EUR 2.7 million. The recoveries were fully cashed.

In the same year, DG INFSO issued 8 recovery orders on behalf of the Participants Guarantee Fund for a total of EUR 0.66 million.

Apart from the contribution of candidate countries, recoveries of EUR 12.2 million were cashed/compensated in 2011, out of which EUR 10.3 million refer to recoveries issued in 2011.

EUR 1.42 million was waived/cancelled during 2011. According to DG BUDG quarterly reports, at the end of 2011 there were 211 outstanding recovery orders (including ancient recoveries) amounting to EUR 25.2 million¹.

At the end of 2011, there were 22 open recovery orders issued by the Participants Guarantee Fund on behalf of DG INFSO for a global amount of EUR 2.5 million.

All details are provided in *Annex A1*.

¹ The amount given in the DMR (177 outstanding recoveries for a global amount of 20.3M€), refers only to the outstanding recovery orders with DG INFSO as Responsible Organization in ABAC. The amount given by DG BUDG includes also the ancient recoveries issued by DG INFSO, but where the Responsible Organization was not filled in ABAC, with outstanding amounts pending to be cashed.

3. Changes to the Financial Circuits

Following the implementation of the revised financial circuits in the 1st semester 2011, two additional changes were proposed during the 2nd semester aimed mainly at improving payment workflows and as a consequence, payment times.

One of the proposed changes concerns the appointment letters (AL2) payment workflow. The head of unit is to be removed from the authorisation process. The head of unit currently has the role of Operational Verifying Agent (OVA), but this role will be allocated to the Project Officer. This change implies that the AL2 gestionnaires in the operational unit perform the role of Operational Initiating Agent (OIA) and Financial Initiating Agent (FIA) (role previously allocated to the project officer).

This change has been approved by the ACB (Audit, Control and Budgetary) Committee and will be implemented by March 31st, 2012.

The second proposed improvement is the suppression of the verification done by R2 for expert meetings payments managed by the Paymaster's Office. This is intended to avoid redundancy in the reimbursement process and free up resources in the concerned units.

The transition will take place in two phases. During a first pilot phase, requests for reimbursement sent to PMO will still be transferred to R2, which will monitor the filling-in of the PEX fiches and the completeness of the files. At the end of the first phase, scheduled at the end of March, R2 will assess the impact. Should the change prove successful, R2 will recommend the definitive removal of the check and files will be directly sent to the Paymaster's Office.

4. Risk Management

The monitoring of the main risks identified for 2011 revealed that the exposure to most of those risks has remained under control and/or has decreased. No risk was considered to have scope for further risk reducing actions. For all risks central monitoring during 2011 was considered to be sufficient.

For all the risks identified for 2011, the Directorates concerned reported no increase in the risk levels and the risks are considered to be stable.

Furthermore, three risks have decreased/been mitigated and consequently have been deleted from the risk register for 2012:

- FP8 Simplification (the risk has been mitigated to the extent possible; it will have a possible impact in future years; it is not within the scope of High-Level Risk Assessment (HLRA) for 2012)
- EU CERT Office (the risk has been reduced; the Office has been operational since September 2011)
- Digital Agenda Assembly (the risk has been reduced to a risk referring to coordination difficulties mainly, not falling anymore within the scope of the HLRA)

At the end of 2011, in line with the 2012 MP process, DG INFSO carried out an annual High-Level Risk Assessment exercise. Four new risks have been identified for 2012 and two have been carried over from 2011. Four medium to high level risks and two low level risks have been identified and assessed for 2012:

- E-Signature (reinforced monitoring)
- Roaming Regulation (reinforced monitoring)
- External Entities (reinforced monitoring)
- The European Innovation Partnership Active and Healthy Ageing initiative (EIP AHA) (reinforced monitoring)
- Fraud in FP and CIP projects (reinforced monitoring)
- Closure of remaining FP6 and e-TEN projects in Dir H (reinforced monitoring)

None of the risks identified and assessed during the HLRA-exercise for 2012 are considered to have sufficient political/reputational exposure to be considered as 'critical risks' in 2012. All risks have been accepted at their residual level, i.e. after the implementation of the mitigating measures in place.

The risks listed above will be followed up and/or monitored during 2012 via the ICC (Internal Control Coordination) Group at DG-wide level.

The other risks, i.e. those below the HLRA main risks level threshold, will be addressed by 'continued line management' from the individual Directorate(s) concerned and reported on in their twice-annual DMRs.

For further details, see DG INFSO High-Level Risk Assessment – main risks register for 2012" discussed and endorsed by senior management on 19 December 2011 in *Annex B1*.

5. Internal Control & Internal Control Standards (ICS)

5.1.State-of-play of the implementation of the Internal Control Standards

The annual review of the state of the internal control system (including compliance with the ICS requirements), the continuous enhancement of the effectiveness of its control arrangements (including the priority ICS identified during 2011), and the subsequent recommendations for further improvements identified by DG INFSO's Internal Control Coordinator (ICC) are addressed in the Annual Activity Report 2011 (see AAR 2011 chapter 2.2).

Overall, DG INFSO has implemented the requirements of the Internal Control Standards. There are no critical or major ICS-related weaknesses that would lead to an AAR reservation.

After a thorough screening of compliance with the Internal Control Standards, DG INFSO can be said to be fully compliant with all ICS except for one requirement of ICS 4 relating to the attendance at compulsory trainings. Actions to reach full compliance have been identified and will be implemented in the course of 2012.

The Internal Control Standard 9 on "Management Supervision" was identified as a priority ICS for 2011. The actions to increase the effectiveness of implementation of this ICS have been implemented during 2011. A DG-wide awareness raising campaign was carried out to increase the ownership of ICS by staff. A detailed report together with identified areas for improvement and proposed follow-up actions was submitted to the Management Team and discussed in their meeting on 23 January. The report is attached in *Annex C2*.

The Internal Control Standards 3 (on staff allocation and mobility) and 10 (on business continuity) have been defined as the priorities for 2012. Actions to be carried out in the context of the priority standards have been defined and will be implemented in the course of 2012. The focus will be on the forthcoming reorganisation of the DG, ensuring business continuity, allocation of staff within the new structure in a transparent process involving Directors, Heads of Unit and staff.

For more details see "DG INFSO 2011 Internal Control Standards Review" in *Annex C1* and "DG-wide awareness raising campaign on Internal Control Standards June – December 2011 – final report" in *Annex C2*

5.2. Reporting by Directors as Authorising Officers by Sub-Delegation (DMRs)

The INFSO Directors as Authorising Officers by Sub-Delegation have reported reasonable assurance that risks are under control and that suitable controls are in place and working as intended. They have not raised any issues to be considered in the context of the declaration by the Director-General (see AAR 2011 chapter 3.1 and the corresponding Directorate Management Reports - DMRs).

In the 2010 AAR it was projected that the FP6 residual error rate will fall below the materiality level of 2%. Therefore the recurrent reservation on errors in FP6 cost claims was lifted. The residual error rate actually attained at the end of 2011 equals 1.9% which is fully in line with the projections made and confirms that the control systems in place effectively limit the level of error to 2%. It is therefore not necessary to reintroduce a reservation.

The cumulative FP7 error rate as of December 31st, 2011 is 4.31%. On this basis there is currently no adequate assurance that the principal objective of the FP7 audit strategy to control the residual error rate at the materiality level (currently 2%) under consideration of cost-benefit criteria will be attained.

Therefore, a reservation regarding the accuracy of FP7 cost claims should be introduced in the AAR 2011.

Audit efforts on FP7 projects in 2012 will focus on completion of the audits from the first common RDGs representative sample as well as enlarging budget coverage by auditing the DG's TOP beneficiaries. Risk based auditing will also be strengthened by the launch of specific batches on beneficiaries with high risk profile.

As from the beginning of 2011, all exceptions have been reported to the Management Support unit on a monthly basis. They have been properly documented in the related files and logged through the appropriate administrative/financial IT tools. An analysis of the exceptions reported was carried out and, based on its results, INFSO specific guidelines on reporting deviations, adapted from DG BUDG's guidance, have been developed and are applicable from January 2012. In 2011 two cases of overruling have been reported. They were justified by the urgency and political priority of the files. Moreover, in one case the decision was taken to avoid reputational risk, which might have materialised should the AOSD have decided not to proceed with the overruling. Further to that only minor exceptions considered of a limited relevance have been reported. The majority of them related to contractual and financial procedures. Measures have been taken to reduce the number of exceptions in the future. None of the exceptions had an impact on the AOD's declaration of assurance.

6. Status Report on External Financial Audits up to 31 December 2011

The detailed status report on external financial audits in 2011 is in the "External Audits Synthesis Report 2011" in *Annex D1 (limited distribution)*.

7. European Court of Auditors (ECA)

7.1. Declaration of Assurance (DAS) 2010 – Discharge procedure

The European Court of Auditors (ECA) published its 2010 Annual Report on 10.11.2011.

The report indicates that the most likely error estimated by the Court for the Research and other Internal Policies is 1.4%, thus below the materiality threshold of 2%. However, the Court mentions that it found a significant level and frequency of error in FP6 and FP7 interim and final payments.

The general assessment of supervisory and control systems for internal policies is considered by the Court to be partially satisfactory, as was the case for 2009. The Court notes that the supervisory and control systems of the Research Framework Programmes are effective for ex-post financial audits and for the implementation of recoveries and financial corrections.

The ECA expresses the view that DG INFSO should have maintained a reservation regarding the accuracy of FP6 cost claims in its AAR for 2010, as it considers that there is no solid evidence that all errors detected have been corrected. DG INFSO disagrees with the Court on the necessity to maintain a reservation for FP6 cost claims. As indicated before, the reservation was lifted by DG INFSO in its 2010 AAR based in particular on the projection that the FP6 residual error rate would fall in 2011 below the materiality level of 2%. The residual error rate actually attained at the end of 2011 equals 1.9% which is fully in line with the projections made.

The 2010 discharge procedure continued with the hearing of Commissioner Geoghegan-Quinn by the EP CONT² committee at end-January 2012. The adoption of the CONT discharge report is planned for end-March 2011, with the vote on the 2010 discharge in the 9-10 May plenary session of the European Parliament.

7.2. Declaration of Assurance (DAS) 2011 – Transaction audits

For the DAS 2011, DG INFSO received, during the second half of 2011, eight requests from the ECA for documents supporting sixteen transactions to be audited.

During the second half of 2011, the ECA carried out seven on-the-spot financial audits on the participation of legal entities in grants managed by DG INFSO. DG INFSO representatives accompanied the Court for these controls.

During the same period, the ECA issued nine letters of preliminary findings relating to eight transactions of which seven were audited on-the-spot by the Court. Three of them reported important error rates (99.82%, 24.72% and 20.51%). The contradictory procedure between DG INFSO and the beneficiaries are on-going for these three cases.

² CONT is the acronym to be used for the CoCoBU – the European Parliament's Committee on Budgetary Control

7.3. Special Reports

Performance Audit: "FP7 implementation":

The Court has initiated in 2011 a performance audit on the efficiency of FP7 implementation, in which DG INFSO is involved (DG RTD is chef de file).

The audit will concentrate on the rules for participation, the functioning of Commission's internal processes and the initial steps of launching new instruments.

8. Internal Audit Service (IAS)

In 2011, progress on implementation of IAS recommendations addressed to DG INFSO was reported twice to the IAS (and onward to the Audit Progress Committee - APC) via the update of the Governance Risk and Compliance – GRC (= the upgraded version of the AMS- Audit Management System IssueTrack database³).

In 2011, DG INFSO has taken further action to strengthen its monitoring of audit recommendations accepted by management arising from both IAS and IAC audits. Besides the quarterly reporting on progress in implementation of audit recommendations, the implementation of open critical and very important IAS and IAC recommendations was monitored on a monthly basis in the Audit, Control and Budgetary Committee meetings chaired by the Director General.

In March 2011, the IAS finalised the follow-up audit on Recoveries, initiated in December 2010 (ref. Ares 2011-331531). Given the positive results of the follow-up, no formal report, as envisaged in the Mutual Expectations Paper, was issued.

During 2011 the IAS performed 2 follow-up audits:

1. Follow-up Audit on the Management of Research Information Systems at DG INFSO, launched in April and finalized in June (ref. Ares-2011-740943)
2. Follow up audit on FP7 Control Design, launched in November and finalized in January 2012 (ref. Ares 2012-41641).

On 7.10.2011 the IAS issued its final Audit Report on DG INFSO's Control Strategy for on-the-spot control and fraud prevention and detection (Ares2011-1067654). This report includes one very important recommendation concerning the common audit strategy and coordination issues in the research area. The IAS audit report and DG INFSO draft action plan were discussed at the APC Preparatory Group Meeting that took place on 9 November 2011. Following these discussions DG INFSO submitted to the IAS its action plan on 25 November 2011 (Ares 2011- 1267776).

³ AMS is a comprehensive, fully-integrated audit-automation system that allows audit units to complete all of their work in a single database. With modules for risk assessment, planning, scheduling, work papers, reporting, issue tracking, time and expenses quality assurance and personnel records, AMS is the most complete way to operate an audit department. In the Commission, AMS is the main tool for managing audits and consultancies carried out by IAS and the Internal Audit Capabilities (IAC's), for following up audit recommendations as well as for the Internal management of audit staff.

9. Internal Audit Capability and Related Matters

During the second semester of 2011, the Internal Audit Capability (IAC) of DG INFSO finalised the audits on "ICS 11 Document Management" on 8 July 2011, and "Human Resources" on 1 September 2011.

Furthermore, a follow-up audit on "CIP, Safer Internet and other non-Research Programmes not covered by IST Framework Programmes " was also finalised on 11 November 2011.

The audits on "Policy design and implementation", "Effective use of studies", and the follow-up audits on "Evaluation of FP7 proposals", "Evaluation of framework programmes" and "DG INFSO's Activities Related to the Functioning and Policy Objectives of ARTEMIS and ENIAC (JTI)s" were launched during the reporting period. The draft reports for the 2 audits and for 2 follow-up audits were issued in December 2011 and the final reports in January/February 2012. The report on the follow-up audit on JTIs is planned to be finalised in March 2012.

Furthermore, the IAC carried out a Limited Review on General Accounting, which draft report was issued in 2011 (final report dated 25 January 2012).

The Head of Unit of the IAC has acted as secretary of the Audit, Control and Budgetary Committee, chaired by the Director General, since its creation in May 2010. The main purpose of the committee is to brief the Director General and the members of the Committee on the evolution of the planning, the results of IAC and IAS audits and the degree of implementation of recommendations, as well as all other internal control, auditing and budgetary issues.

The IAC has also given advice on issues regarding DG INFSO activities (e.g. IT access to external auditors, project termination or the 3E principle) and is currently carrying out a consulting engagement on how to achieve a paperless approval workflow, planned to be ended in April 2012.

On 15 February 2012, the IAC issued its Annual Opinion on the state of control within DG INFSO based on the results of the audits performed during year 2011, as a contribution to the AAR 2011.

See **Annex E1** for further information.

The IAC's Work Plan for year 2012 was submitted for approval to the Director General on 17 February 2012. In this regard, the joint risk assessment on DG INFSO audit universe performed together by the IAS and the IAC has been updated in 2011. The risk assessment has taken account of the Final Results of the 2012 "High-Level Risk Assessment".

9.1. Overview of the Audits and Internal Organisation

Audits planned in the second half of the year have been executed⁴, as detailed in the previous section. The annual internal audit work plan for 2011 has been completed to a degree of 90%.

The software "Auto Audit" has systematically been used since mid-2007 to carry out audits in order to have a better audit trail, a formalised supervision and a production of ad hoc reports (observations and recommendations per audit, time sheets etc.). Since April 2011, new software called GRC is being used.

As detailed in the table of the number of recommendations hereafter:

- 19 recommendations out of 20 (95%) were accepted by the auditees;

| | Accepted Recommendations | | | Rejected Recommendations | | | Dropped by IAC | Total |
|----------------------------|--------------------------|------|------|--------------------------|------|------|----------------|-------|
| | VI (*) | I(*) | D(*) | VI (*) | I(*) | D(*) | | |
| Audits[1] | | | | | | | | |
| Human Resources | 0 | 7 | 2 | 0 | 1 | 0 | | 10 |
| ICS 11 Document Management | 3 | 7 | 0 | 0 | 0 | 0 | | 10 |
| Total | 19 | | | 1 | | | | 20 |
| | 20 | | | | | | | |

- As regards the recommendations of the follow-up audit finalised, out of the 10 recommendations, 7 have been implemented, 2 are in progress and 1 is partially implemented⁵.

| | Implemented Recommendations | | | In progress /Partially implemented/ Not implemented Recommendations | | | Dropped by IAC | Total |
|---|-----------------------------|------|------|---|------|------|----------------|-------|
| | VI (*) | I(*) | D(*) | VI (*) | I(*) | D(*) | | |
| Follow- up audit of CIP, Safer Internet and other non-Research Programmes not covered by IST Framework Programmes | 3 | 4 | 0 | 2 | 1 | 0 | | 10 |
| Total | 7 | | | 3 | | | | 10 |

The IAC's Opinion concerning the audit on "Human Resources" was satisfactory.

⁴ two audits and 3 follow up audits being at the stage of draft reporting, with the final reports issued in January/February 2012, as detailed in the previous section.

⁵ One recommendation was not accepted.

The IAC's Opinion concerning the audit on "ICS 11 Document Management" was satisfactory, except for the following Very Important recommendations:

- The auditors have observed during the audit that there is no full coherence among units on the kind of documents effectively registered; (i) titles of documents in ARES sometimes also contain mistakes or are not complete; (ii) using markings in ARES with an expiry date is not a common practice; (iii) available ARES training courses and guidance in DG INFSO are mostly IT oriented, a more conceptual/contextual part is missing. Those practices hinder the retrieval of documents in ARES or even make it impossible and therefore may have a high impact on the efficiency of DG INFSO staff. The auditors recommend setting up trainings and guidelines, reflecting DG INFSO specificities, in order to improve the quality of ARES registrations and markings.
- The audit also reflected that (i) files are managed by individual units that are "chef de file" and no common vision (logic) is applied to filing plans, in particular as regards procurement files; (ii) files are poorly managed in ARES (e.g. some files are not used, other files are not closed in due time); (iii) some documents created by DG INFSO are not registered and/or filed, therefore they are deleted from ARES after a certain time; (iv) other documents received from other DGs are not filed by DG INFSO, therefore they are accessible only to the recipient; (v) some files are not complete. As a consequence of the above, documents may be lost and/or not accessible anymore. The impact on the quality and efficiency of DG INFSO staff activities may be high and therefore the auditors recommend improving the management of DG INFSO filing plan, in order to guarantee its coherence and logic as well as drafting guidelines on filing (procurement) documents.
- Document management in DG INFSO is decentralised. Many changes have occurred since decentralisation was decided e.g. using ARES, development of participants' portal, and decrease of the paper documents' storage simultaneously to increase of documents scanned. The auditors propose therefore to nominate a task force to assess pros and cons of centralised vs. decentralised document management in DG INFSO and to present the results to the Director General.

From the IAC's Opinion on the state of control within DG INFSO the IAC considers that, as regards the adequacy of the internal control system in place, the following issues should be duly taken into account:

- The results of the follow-up audits show two very important accepted recommendations, which however have not been fully and effectively implemented yet. The first one refers to the use of iflow for appointment letters, with original deadline 2010/2011 and new deadline September 2012. The second one is to agree among INFSO services on appropriate software to detect plagiarism (original deadline 12/2010 and new deadline May 2012).
- Recommendations coming from the reports issued by the IAS.

9.2. Implementation status of open IAC recommendations

As from the beginning of 2011 the progress in implementation of IAS and IAC recommendations is reported to the Audit, Internal Control and Budgetary Committee monthly for very important and critical audit recommendations and quarterly for all recommendations. The purpose of this mechanism is to alert senior management to possible delays in the implementation of audit recommendations, so that remedial actions could be taken. When there is a risk that the implementation of a recommendation may be delayed, justification for the delay has to be provided and a new target date can be agreed.

At the end of 2011 the status of IAC accepted audit recommendations was the following:

- Audit on Procurement including Appointment Letters – one very important recommendation is still ongoing. A new target date has been agreed for September 2012.
- Audit on FP7 Project Reviews – the ICT Directors reported that the implementation of one very important recommendation is still ongoing. A new target date has been agreed for May 2012. Audit on DG INFSO's activities related to the functioning and Policy Objectives of ARTEMIS and ENIAC (JTIs) – two important recommendations are still ongoing. The new target dates have been agreed for April and May 2012.
- Audit on Document Management – finalised in 2011; three very important recommendations out of ten open; action plans have been agreed and are being implemented.
- Audit on Human Resources – finalised in 2011; ten recommendations open; action plans have been agreed and are being implemented.

10. OLAF Files

The status of OLAF files, both open and under evaluation was analysed and updated with OLAF. During 2011, 6 new files were communicated to OLAF, three of them resulting directly from the audit work carried out by Unit S5.

11. European Ombudsman Files

In 2011 the European Ombudsman (EO) finalised three procedures with DG INFSO involvement:

- 2566/2010 - Closing decision, no further inquiries are needed;
- 3264/2008 - Closing decision on the basis that a friendly solution has been agreed;
- 3065/2009 - Closing decision, no maladministration.

The complaint 3373/2008 is ongoing (Draft recommendation issued by the EO has been rejected by the Commission).

DG INFSO is involved as an associated DG in five active procedures (no closing decisions by the EO yet) and 11 open procedures are pending the EO's decision with INFSO as chef de file as per 31.12.2011.

In 2011 there has not been any European Ombudsman complaint case closed with a finding of maladministration, a critical remark or a draft recommendation.

See *Annex G1 (limited distribution)* for the full status report.

12. Litigation

With respect to litigation before the General Court of the Court of Justice, DG INFO has contributed to the establishment of the Commission position and provides input to on-going cases before the Court that are handled by the Commission Legal Service.

The following five new Court cases were filed in 2011:

- T-552/11 Lito Hospital c/ Commission for the project WiH
- T-480/11 Technion c/ Commission
- T-546/11 Technion c/ Commission
- T-59/11 e-Isotis c/ Commission
- T-116/11 EMA c/ Commission.

A full list of on-going and closed cases in 2011 is in *Annex H1*.

The following three Court cases have been closed in 2011:

- T-353/10 Lito Hospital c/Commission for the project DICOEMS- the application was dismissed
- T-252/10 Cross Czech c/ Commission – the action was dismissed
- T-316/10 Health Information Management (HIM) c/ Commission – out of court settlement.

The year 2011 continued with a high number of new litigation filed by beneficiaries as consequence of implementation of audit results. Further we continue to witness a high percentage of Court applications accompanied with a request for interim measures.

Even though case T-353/10 has been dismissed in the favour of the defendant (the Commission), the Commission has been ordered to pay the legal fees of the applicant as the General Court found the text of the debit note (a DG BUDG template) misleading.

13. Declaration and Reservations

This part is documented and covered in the Annual Activity Report 2011 (see AAR 2011 Chapter 3).

14. Annexes

Annex A – Chapter 2: Implementation of 2011 budget

A1: Overview Status of Recovery orders

Annex B – Chapter 4: Risk Management

B1: DG INFSO 2012 High-Level Risk Assessment (HLRA) – "main risk register" for 2012

Annex C – Chapter 5: Internal Control & Internal Control Standards (ICS)

C1: DG INFSO 2011 Internal Control Standards Review

C2: DG-wide awareness raising campaign on Internal Control Standards – June-December 2011 – Final report.

Annex D – Chapter 6: Status Report on External Financial Audits up to 31 December 2011

D1: External Audits Synthesis Report 2011 – **Limited distribution**

Annex E – Chapter 9: Internal Audit Capacity and related matters

E1: IAC's annual opinion 2011 – **Limited distribution**

Annex F – Chapter 10: OLAF Files

Annex G – Chapter 11: European Ombudsman files

G1: State of Play of European Ombudsman files up to 31.12.2011 – **Limited distribution**

Annex H – Chapter 12: Litigation

H1: Synopsis table on litigation ongoing and closed in 2011

[illegible]

DG INFSO 2012 High-Level Risk Assessment (HLRA) – main risks register for 2012

Scope

As foreseen in the Commission risk management framework (aiming at a coherent application of ICS-6 on risk management), the DG INFSO 2012 High Level Risk Assessment (HLRA) exercise covers the 2012 Management Plan objectives. The exercise addresses the ABB policy areas identified in the MP 2012.

For each risk proposed for the HLRA, the following information should be specified:

- the policy area and objective affected
- the existing mitigating measures
- the residual (after mitigating measures) likelihood and potential impact
- the risk response (reduce/accept)

Process

The risk identification and assessment process is based on bottom-up inputs from INFSO Directorates. On the basis of the risks reported, and a discussion by the Management Team, a consolidated set of the DG's main risks has been identified. A decision has been taken that none of the risks identified have sufficient residual exposure to be classified as "critical risks" in line with the Commission's definition¹. None "critical cross-cutting risks," in line with the Commission's definition², have been identified either, therefore none of the risks identified are to be notified by DG INFSO to central services.

Results and follow-up

For any risks included in the risk register 2012 and in accordance with the (i) political/reputational importance, (ii) residual risk level and (iii) scope for further risk reduction actions by DG INFSO during 2012, the appropriate risk management mode will be applied. These include: (a) action plan; (b) reinforced monitoring; or (c) continued line management. The relevant risk response actions will be carried out by the units in charge of the relevant activity/objective. The risk register will be reviewed in the ICC Group.

¹ In the Commission, a risk is considered "critical" if it can: jeopardise the realisation of major policy objectives; 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 the infringement of laws and regulations; result in material financial loss; put the safety of the Commission's staff at risk; in any way seriously damage the Commission's image and reputation; or the combination of its impact and likelihood falls in the higher end of the scale of the impact/likelihood model.

² In the Commission, a (critical) risk should only be considered "cross-cutting" if it affects several services (more than 2) and it can be evaluated or addressed more effectively by a group of services rather than by an individual service. (...) Where the critical cross-cutting risk affects only a family of DGs, this risk should be notified to the central services if any existing "family" structures have not been able to address the risk concerned.

DG INFSO 2012 HLRA – consolidated risk register

| Risk Nr | Risk title & description | Risk type | Main existing controls or mitigating factors | Residual risk level | Action scope | Risk response |
|---|---|--|---|---|---|---|
| Policy Area & Act./Obj. affected + Lead Dir(s) responsible | Risk of (not) [potential consequence(s)], <u>due to</u> [root cause(s)] | Commission's risk typology | List of <u>existing</u> controls | Likelihood x potential Impact $= (1->5) \times (1->5) = 1->25$ low = 1-5 medium = 6-12 high = 15-16 very high = 20-25 | Potential for additional action by INFSO <u>during 2012</u> , if any <i>"Outline – Owner – Time horizon" to be further elaborated later (e.g. via ICC Group)</i> | As <u>feasible during 2012</u> , either: - To be reduced (=action plan) <i>or</i> - Accepted (=reinforced monitoring) |
| PART A (<i>medium to high level risks</i>) | | | | | | |
| 2012-1 DAE -1 Digital Single Market DIR H/DIR A (C1, A3, H2) | E-Signature The implementation of the e-ID /e-sign commitments in the Digital Agenda for Europe (DAE) requires significant efforts that are difficult to deliver in a very short time period so there is a <u>risk of delays</u> in the delivery of a key action in DAE. | 1.3 Risks related to external partners | Close management monitoring and early assessment of the options with the cabinet | MEDIUM: 3x4=12 | Top management and Cabinet commitment needed to speed up the process | ACCEPTED (= reinforced monitoring) |
| 2012-2 DAE -1 Digital Single Market DAE 101 Dir B | Roaming Regulation Risk of lack of protection of the European roaming users <u>due to</u> delayed adoption of the proposed Roaming Regulation. The <u>delay in adoption</u> risks also delaying the benefits from competition enhancing structural measures. Finally the delay in adoption will bring a <u>reputational damage</u> to the Commission, EP and the Council. | 1.2 Risks related to political decisions and priorities taken outside the Commission | Constant updating of the hierarchy and the cabinet on the state of play of the legislative process. Contacts with the EP and the Councils to ensure swift handling of the legislative process. | MEDIUM: 3x4=12 | The risk has already been recognised and an enhanced follow-up process is in place | ACCEPTED (= reinforced monitoring) |

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|--|---|--|--|-----------------------|---|---|
| 2011-3 DAE-5 - Research Dir G (with Dir R) | External Entities JUs – risk of partial execution of EC budget contributions for JTIs, due to a lack of funding commitment by the Member States in the current economic climate. | 1. External environment - econ. crisis, political priorities and MS' budgets | Mid-term reviews and other reporting (to Council, EP) as requested by the underlying legal basis | MEDIUM: 3x2 =6 | No (continued line management) | ACCEPTED (= reinforced monitoring) |
| 2012-4 Innovation Union Flagship DIR H (DG RTD, DG SANCO) | The European Innovation Partnership Active and Healthy Ageing initiative (EIP AHA) A very visible action, within and beyond the Commission, as the first EIP launched under the Innovation Union Flagship. There is a <u>reputational risk</u> if implementation is hampered <u>due to</u> the lack of willingness of stakeholders to implement and fund the implementation of the EIP AHA. (There is no EIP specific funding by the Commission). | 5.1 Communication methods and channels 1.3. Risks related to external partners; | The action will be implemented in steps: a) calls for commitment; b) letters of intent by stakeholders; c) establishment of action groups to carry out implementation. Action groups will be mainly the responsibility of stakeholders themselves. Hence risk mitigation is consequential in this regard. Therefore risk mitigation will rely on burden sharing with lack of commitment by stakeholders. | MEDIUM: 2x3=6 | Commission Communication to Parliament and Council engaging the institutional level | ACCEPTED (=monitoring of the action implementation; criteria for selecting members of the action groups expressed in the calls for commitment and in the evaluation of Letters of Intent; criteria for assessing implementation progress as discussed by the EIP) |

PART B (*low level risks*)

| | | | | | | |
|---|--|---|---|--------------------|---|---|
| 2011-5 DAE-5 - Research all ICT Dirs (via Dir C & Unit S5) | Fraud in FP and CIP projects <u>Financial and/or reputational risks</u> , due to the detection of fraud in FP and CIP projects: - Projects to be terminated - Recovery orders to be cancelled - Negative press headlines and Court cases - Criticism and/or over-reacting in terms of 'controls' | 4.1. Legality & regularity - complexity, ineligibility, fraud | Reinforced "vigilance" in the operational Directorates: - thorough better assessment of participants' capacities - new approach to project reviews -training of staff in operational units on fraud prevention - reinforced monitoring of problem projects - suspension of payments - termination of participation - faster issuing of recovery orders | LOW: 2x2 =4 | Staff awareness will be promoted throughout 2012. FP6 audits to be launched only on the basis of risk analysis; FP7 and CIP to pay attention to risk analysis audits | ACCEPTED (=reinforced monitoring) |
|---|--|---|---|--------------------|---|---|

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| | | | <p>The Anti-Fraud Strategy has been updated and formally adopted in 2011. It aims to improve fraud prevention and detection. In content it describes the anti-fraud measures in place.</p> <p>Increased effort has been made to prevent problems through thorough implementation of the guidelines on evaluation/negotiation, review and payments.</p> | | | |
| 2012-6 Research FP6 e-TEN DIR H | Closure of remaining FP6 (still 25 in Dir H) and e-TEN (6) projects. For a substantial number of these there are difficult issues still to settle as part of the final payment, not least linked to post-audit implementation. This is resource-intensive work often leading to long delays and often contentious vis-à-vis partners, hence there are <u>financial risks</u> involved in achieving closure of these legacy programmes. | 2.3 Financial processes and budget allocation: | Payment and financial flows continuously monitored in units management and used in DG performance evaluation. Task force set up in Dir H to deal with closure of both programmes, putting together Project Officers and financial staff from both operational and finance units. Monitoring of progress and regular reporting | LOW: 2x2 = 4 | With on-going effort the number of "open" projects will decrease by early 2012, though with some 10-12 particularly difficult projects left. The Task force work will continue. | ACCEPTED (=reinforced monitoring via AFU, established network of financial assistants) |

DG INFSO 2011 Internal Control Standards Review (table for input from lead units)

| ICS | Standard & Requirements | Chef-de-file | ICS Review |
|-------------------|---|-----------------------------|--|
| 1. Mission | The DG's <i>raison d'être</i> is clearly defined in up-to-date and concise mission statements developed from the perspective of the DG's customers | S1 | |
| | <i>The DG, Directorates and Units have up-to-date mission statements which are linked across all hierarchical levels</i> | S1 + Directorates and Units | COMPLIANT The mission statement of the DG has been reviewed and updated for 2011 in order to reflect the priorities of the Digital Agenda for Europe. |
| | <i>These mission statements have been explained to staff and are readily accessible</i> | S1 + Directorates and Units | COMPLIANT In the course of 2011 all mission statements of units and Directorates have been reviewed and updated. They are available on the Intranet. Some units would still like to fine tune their mission statements engaging all unit members in the process. |

| ICS | Standard & Requirements | Chef-de-file | ICS Review |
|---|--|--------------|---|
| 2. Ethical and Organisational Values | Management and staff are aware of and share appropriate ethical and organisational values and uphold these through their own behaviour and decision-making. | R1 | |
| | <i>The DG has procedures in place - including updates and yearly reminders - to ensure that all staff are aware of relevant ethical and organisational values, in particular ethical conduct, avoidance of conflicts of interest, fraud prevention and reporting of irregularities</i> | R1 | COMPLIANT Awareness raising of staff on ethical and organisational values is ensured through a number of actions and tools. 1. DG INFSO has developed in 2010 a DG-specific Guide on Ethics and Integrity, which provides an overview of the main ethical principles. The Guide is a living document, which is currently being updated and will address new topics such as the use of social media. 2. The DG has an intranet page specifically dedicated to Ethics. It provides useful, updated and comprehensive information on how to deal with ethical issues. Main documents that ensure that all staff are aware of relevant ethical values are available on this intranet page and updates are made on a regular basis. 3. Reminders on ethics issues are sent to all staff on annual basis. Newcomers receive ethics introduction during the mandatory induction training. 4. R1 keeps record of all declarations on conflict of interest, spousal employment, requests for authorisation of speeches, external activities, etc. In addition, there is a gifts mailbox to which staff can send their declarations for gifts <50€. |

| ICS | Standard & Requirements | Chef-de-file | ICS Review |
|-----|-------------------------|--------------|---|
| | | | <p>5. A number of training courses are dedicated to ethics or have an ethical component. As an example, the DG INFSO course on "Dealing with lobbyists" was offered again on 29 November 2011.</p> <p>6. The DG has four Ethics Correspondents, whose names are available on the R1's website. The DG has a functional mailbox <u>INFSO ETHICS</u> to which staff may address all questions, remarks and suggestions concerning ethical issues.</p> |

| ICS | Standard & Requirements | Chef-de-file | ICS Review |
|---|---|--------------|---|
| 3. Staff allocation and mobility | The allocation and recruitment of staff is based on the DG's objectives and priorities. Management promote and plan staff mobility so as to strike the right balance between continuity and renewal | R1 | |
| | <i>Whenever necessary - at least once a year - management aligns the organisational structures and staff allocations with priorities and workload</i> | R1 | <p>COMPLIANT</p> <p>1. Allocation of staff is constantly under review by management through:</p> <ul style="list-style-type: none"> - the MT meetings that take place on a weekly basis; - the meetings of the HR Committee that take place on a monthly basis. During these meetings, each vacant post is checked against priorities and may be reallocated accordingly. <p>2. Redeployment of staff is subject to specific exercises, such as:</p> <ul style="list-style-type: none"> - the "sizing exercise" concerning the Research Directorates of the DG, which was finalised and implemented by R1 in 2011 after the approval of the MT in 2010. It is an innovative exercise throughout the EC of reallocation of staff according to priorities and workload. - the mobility exercise of HoUs and DHoUS that took place in 2010 and was implemented in 2011, or the mobility exercise of AD non-management officials that is currently taking place and will be implemented in 2012. |
| | <i>Staff job descriptions are consistent with relevant mission statements</i> | R1 | <p>COMPLIANT</p> <p>Job Descriptions are reviewed at least annually, in particular in the context of the screening exercise. In 2011 they were reviewed at the beginning of the year in the context of the screening exercise, on several occasions during the year in the context of the JIS review and at year end.</p> <p>In December 2011, close to 100% of staff have active job descriptions as only 8 JDs out of about 1250 have not been completed according to the data extracted from SysPer II. This makes less than 1% of JD not completed at that time. Reminders will be sent to the HoUs concerned.</p> |
| | <i>The DG has a policy to promote, implement and monitor mobility (e.g. publication of vacant posts, list of specialist posts) in order to ensure that the right person is in the right job at the right time and, where feasible, to create career</i> | R1 | <p>COMPLIANT</p> <p>Turnover of staff is monitored regularly by R1 and reported in the DMR. The average vacancy rate is an indicator monitored in the MP.</p> |

| ICS | Standard & Requirements | Chef-de-file | ICS Review |
|-----|--|--------------|---|
| | <i>opportunities</i> | | <p>R1 is fully committed to implementing equal opportunities policies, promoting flexible working arrangements and developing awareness raising actions in order to attract and retain staff.</p> <p>Mobility is strongly encouraged for career development purposes. In this respect, a mobility exercise was launched in 2011 for AD non-management officials via a questionnaire and on a voluntary basis. Staff were asked for preferences as to their mobility and a skills and aspirations database will be created from that exercise.</p> <p>An intranet page on career guidance exists, including sections on mobility and career development.</p> <p>The names of three Career Guidance Officers (ReLOPs) are posted on the intranet.</p> |
| | <i>Necessary support is defined and delivered to new staff to facilitate their integration in the team</i> | R1 + HoUs | <p>COMPLIANT</p> <p>Coaching, mentoring, tutoring and job-shadowing schemes have been put in place or are currently being set up by R1. These schemes are or will be implemented within the units in accordance with the rules set by R1.</p> <p>All newcomers receive a DG INFSO's Welcome Pack with the most important documents before (in summary format) and on their arrival (in full format) in the DG. A compulsory induction day is organised by R1 for all newcomers at regular intervals.</p> |

| ICS | Standard & Requirements | Chef-de-file | ICS Review |
|--|---|--------------|--|
| 4. Staff evaluation and development | Staff performance is evaluated against individual annual objectives, which fit with the DG's overall objectives. Adequate measures are taken to develop the skills necessary to achieve the objectives. | R1 | |
| | <i>In the context of the CDR process (or informally where the CDR process is not applicable), discussions are held individually with all staff to establish their annual objectives, which fit with the DG's, Directorate's and Unit's objectives</i> | R1 + HoUs | <p>COMPLIANT</p> <p>DG INFSO conducts the evaluation and promotion exercises in full compliance with DG HR rules. Reminders are sent to HoUs in the context of the CDR process and at regular intervals to establish job related objectives for their staff.</p> <p>Current (December 2012) statistics on staff with job related objectives: Statutory staff : 92% with validated objectives - 95 % with project objectives All staff : 87% with validated objectives - 93% with project objectives</p> |
| | <i>Staff performance is evaluated according to standards set by the Commission</i> | R1 | <p>COMPLIANT</p> <p>Staff performance was evaluated and promotion points were assigned in 2011 according to the guidelines of DG HR, the Commission's common appraisal standards and the general provisions for implementing Articles 43 and 45 of the Staff Regulations.</p> |

| ICS | Standard & Requirements | Chef-de-file | ICS Review |
|-----|---|--------------|---|
| | <i>A yearly strategic training framework is developed at DG level based on needs deriving from the policy of the DG together with recommendations and instructions received from the central services. A global average of working days¹, set in the Commission's annual strategic Learning and Development framework, is devoted to learning and development activities</i> | R1 | <p>COMPLIANT</p> <p>The DG INFSO Learning and Development Framework for 2011 was adopted by senior management on 22.12.2010 and a note from R1 announced its launching. Additionally, it was published on the intranet and advertised by e-mail and in the L&D newsletter.</p> <p>On 1st November 2011, the average number of training days per staff member in 2011 reached 5,3 days excluding on the job training.</p> |
| | <i>A Training Map is completed annually by each official and by each other agent to whom Art. 24a of the Staff Regulations applies by analogy, discussed with and approved by the line manager. The Training Passport, recording all training activities undertaken by the staff member, is kept up to date</i> | R1 | <p>COMPLIANT</p> <p>All new staff are reminded on their arrival in the DG to complete a training map.</p> <p>All staff are reminded to complete their annual training map as part of the appraisal process. Reminders were sent by R1 in the first quarter of 2011 before the deadline for their completion and validation, which was set on 31 March 2011.</p> <p>In 2011, in total 93% of staff completed their training maps.</p> <p>To be noted that the new appraisal system put in place from 2012 onwards does not include any more the obligation for staff to complete a training map.</p> |
| | <i>Management ensure that every staff member attends at least the training courses of a compulsory nature as defined in the strategic frameworks (of the Commission and of the DG)</i> | R1 | <p>PARTIALLY COMPLIANT</p> <p>The DG INFSO LDF, in its chapter 3.2 and Annex 4.1, highlights the existence of compulsory training and courses recommended for different target groups. The full list is available on the intranet. All staff are reminded on their arrival to follow the compulsory training.</p> <p>Reminders are regularly sent to staff via the L&D newsletter and through internal notes to Line Managers and Authorising Officers.</p> <p>An IAC audit on Human Resources was carried out in 2011. The attendance to mandatory trainings was verified by the auditors and the checks showed that those courses are not followed regularly. It should be noted, however, that attendance at compulsory courses is higher than at other, non-compulsory courses.</p> <p>It was also reported by staff during the ICS campaign that they do not follow systematically the compulsory courses. Different reasons were given: difficulties in registering, the courses get full much in advance, staff are not always aware what obligatory courses they have to follow.</p> <p>In the light of the IAC's findings and feedback from staff and in the lack of monitoring tool the DG has no assurance that obligatory trainings are followed sufficiently.</p> |

¹ In 2011, our overall objective as an organisation is to achieve an average of 10 days of learning activities per person. As an indication, these 10 days could, for instance, be distributed as follows:

- 3.5 days of attendance in formal learning events per staff member;
- 2.5 days of language learning on average per year for all staff (ie. 1 out of 5 staff members attending a language course), with first priority given to training for staff covered by Article 45(2) of the Staff Regulations;
- 2.5 days of on-the-job learning per staff member (to be organised by the line manager);
- 1.5 day of end-user IT training per staff member.

The figure of 10 days is a target average that allows us to benchmark our organisation against others. It is not a mandatory objective for each member of staff. Any training must be justified by a genuine need.

| ICS | Standard & Requirements | Chef-de-file | ICS Review |
|---|--|--------------|---|
| 5. Objectives and Performance Indicators | The DG's objectives are clearly defined and updated when necessary. These are formulated in a way that makes it possible to monitor their achievement. Key performance indicators are established to help management evaluate and report on progress made in relation to their objectives. | S1 | |
| | <i>The DG's Management Plan (AMP) is developed in accordance with applicable guidance and on the basis of a dialogue between top managers, middle managers and staff in order to ensure it is understood and owned</i> | S1 | <p>COMPLIANT</p> <p>The Management Plan 2012 will be discussed by the MT on 5 December 2011. As in the previous years, it was drawn up in accordance with the standing instructions. Contributions from all units are taken into account and all levels of management are involved in developing the MP in order to ensure that the MP is owned and understood.</p> <p>The MP 2012 is based on a set of general objectives stemming from the priorities of the Digital Agenda. They have remained the same as in the previous year.</p> <p>The Management Plan is based on the concept of management by objectives, which is well understood by management and staff.</p> <p>The performance indicators are, whenever possible, quantitative and they are focused on key activities and risks. They also support and facilitate the management and monitoring of the DG's activities. In 2011, a review of the indicators was undertaken to ensure that they are valid and understandable.</p> |
| | <i>The AMP clearly sets out how the planned activities at each management level will contribute to the achievement of objectives set, taking into account the allocated resources and the risk identified</i> | S1/S2 | <p>COMPLIANT</p> <p>All planned activities are assigned to specific objectives and contribute directly to their achievement. For each activity a responsible unit is mentioned. Careful screening of the risk environment is conducted and risks together with their appropriate mitigating actions are identified.</p> |
| | <i>To the extent possible, the AMP objectives are established in line with the SMART criteria, i.e. they are Specific, Measurable or verifiable, discussed and Accepted, Realistic and Timed</i> | S1 | <p>COMPLIANT</p> <p>The MP objectives are whenever possible established in line with the SMART criteria.</p> |
| | <i>Whenever necessary, the objectives are updated to take account of significant changes in activities and priorities</i> | S1 | <p>COMPLIANT</p> <p>Yes, whenever necessary, the objectives are updated to take account of significant changes in activities and priorities.</p> |
| | <i>Where appropriate, the DG establishes road-maps of ongoing multi-annual activities, setting out critical milestones for the actions that need to be taken before the budget appropriations can be implemented for the whole</i> | S1 | <p>COMPLIANT</p> <p>S1 ensured that all legislative and non-legislative initiatives for 2012 and beyond complied with the SG rules, which includes the requirement of preparing appropriate roadmaps.</p> |

| ICS | Standard & Requirements | Chef-de-file | ICS Review |
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| | <i>period of the activity</i> | | The roadmaps have been sent to unit C3 for quality control and have been reviewed by the senior management. All roadmaps (CWP and non-CWP) will be published by the SG in EUROPA before the end of 2011 http://ec.europa.eu/governance/impact/planned_ia/roadmaps_2012_en.htm#INFSO |
| | <i>In the AMP, there is at least one performance indicator per objective, both at policy area and at operational activity level, to monitor and report on achievements. To the extent possible, the performance indicators are established according to the RACER criteria, i.e. Relevant, discussed and Accepted, Credible, Easy and Robust.</i> | S1 | COMPLIANT S1 ensures compliance with this requirement during the annual exercise to establish the Management Plan. |
| | <i>Reporting structures are in place to alert management when indicators show that the achievement of the objectives is at risk</i> | S1/S2 | COMPLIANT DMR reporting alerts the management when indicators show that the achievement of the objectives is at risk. Additionally, priority activities, e.g. the Digital Agenda have their own reporting mechanisms. A mid-year revision of the MP is carried out to monitor the progress. Additionally, progress in realisation of the initiatives is monitored via the Rolling Work Programme which is updated monthly and presented for discussion in MT meetings. |

| ICS | Standard & Requirements | Chef-de-file | ICS Review |
|-----------------------------------|---|--------------|---|
| 6. Risk Management Process | A risk management process that is in line with applicable provisions and guidelines is integrated into the annual activity planning | S2 | |
| | <i>A risk management exercise at DG level is conducted at least once a year as part of the MP process and whenever management considers it necessary (typically in the event of major modifications to the DG's activities occurring during the year). Risk management is performed in line with applicable provisions and guidelines</i> | S2 | COMPLIANT A High-Level Risk Assessment exercise is carried out as part of the MP. It is performed in line with DG BUDG guidelines. Risks identified by Directorates are compared across the DG and compiled in the DG INFSO's main risks register. Coordinated by S2, this bottom-up exercise leads eventually to DG INFSO's overall "top risks" – including its "critical risks" annexed to the MP and reported to the Commissioner. The HLRA 2011 was launched with a note Ares(2010)649055 of 30.09.10. The draft risk register was discussed by Directors at MT meeting on 17.01.11 and after modifications approved at MT meeting on 24.01.11. No critical or cross-cutting risks were identified for 2011. The risk register was reviewed in the context of mid-year review of the MP, Ares(2011)672586 of 22.06.11 and discussed in the ICCGroup meeting of 29.09.11. The HLRA 2012 was launched with a note Ares(2011)1103839 of 17.10.11. An information session on the HLRA and MP was given on 20.10.11. No critical risks have been identified for 2012. The draft risk register was discussed at the OS/AFU meeting on 24.11.11. Additionally, Directorates are asked to continue line management of any risks at Directorate level. The risk management process is wholly integrated in the annual MP process and carried out in compliance with guidance from central services. |

| ICS | Standard & Requirements | Chef-de-file | ICS Review |
|-----|---|--------------|---|
| | <i>Risk management action plans are realistic and take into account cost/benefit aspects in order to avoid disproportionate control measures. Processes are in place to ensure that actions are implemented according to plan and continue to be relevant</i> | S2 | COMPLIANT Only the critical and the most significant risks are considered at DG-level. When there is a scope for risk reduction, action plans that take into account cost/benefit aspect are agreed by the Directors. The implementation of the actions is monitored by the ICCGroup and updates are requested at least twice a year. |
| | <i>Risks considered "critical" from an overall DG perspective (see SEC(2005)1327, §2.4) are indicated in the DG's Annual Management Plan and followed-up in the Annual Activity Report</i> | S2 | COMPLIANT The MT agreed that none of the risks identified had sufficient political/reputational exposure to be considered as 'critical risks' for 2011. |

| ICS | Standard & Requirements | Chef-de-file | ICS Review |
|--|--|--------------|--|
| 7. Operational Structure (delegations, roles, etc.) | The DG's operational structure supports effective decision-making by suitable delegation of powers. Risks associated with the DG's sensitive functions are managed through mitigating controls and ultimately staff mobility. Adequate IT governance structures are in place. | R1, R2, R3 | |
| | <i>Delegation of authority is clearly defined, assigned and communicated in writing, conforms to legislative requirements and is appropriate to the importance of decisions to be taken and risks involved</i> | R2 | COMPLIANT Delegation of authority for financial transactions was defined in the documentation of the financial circuits and in the sub-delegation documents, and published on the Manual of Procedures. Levels of delegation for financial transactions and IT tools where the delegation is implemented are fully documented and available on the Manual of Procedures. Control of ABAC sub-delegations and deputising is fully centralised in R2. In 2010 delegation of powers was thoroughly reviewed and documented by R2 in the framework of the project of revision of the financial circuits. The revised circuits are in place since 1.4.2011. |
| | <i>All delegated and sub-delegated authorising officers have received and acknowledged the Charters and specific delegation instruments.</i> | R2 | COMPLIANT All sub-delegations for 2011 were updated and signed in March 2011 for the period till 31.3.2012; reception of Charters signed. DG INFSO's LPM in R2 keeps the register of Charter signatures. Control of sub-delegations is fully centralised in R2. A preliminary condition for granting a sub-delegation is signature of the Charter. |
| | <i>As regards financial transactions, delegation of powers (including both "passed for payment" and "certified correct") is defined, assigned and communicated in writing</i> | R2 | COMPLIANT Delegation of powers for financial transactions was defined in the documentation of the financial circuits and in the sub-delegation documents, and published on the Manual of Procedures. Control of ABAC sub-delegations and deputising is fully centralised in R2. |

| ICS | Standard & Requirements | Chef-de-file | ICS Review |
|-----|---|--------------|--|
| | <p><i>The DG's sensitive functions are clearly defined, recorded and kept up to date. For each sensitive function:</i></p> <ul style="list-style-type: none"> - <i>A risk assessment is carried out and relevant mitigating controls are established;</i> - <i>Once a jobholder has been exercising the same sensitive function(s) for five years, risk is re-assessed, following which management decides to move the jobholder, or to transfer the sensitive function(s) or to implement additional mitigating controls which reduce the residual risk to a level it considers acceptable;</i> - <i>Once a jobholder has been exercising the same sensitive functions for seven years, mobility is as a general rule applied.</i> | R1 | <p>COMPLIANT</p> <p>Information on sensitive functions is available on the intranet.</p> <p>There are three types of sensitive functions in DG INFSO:</p> <ul style="list-style-type: none"> • Authorising officers by sub-delegation (AOSD) • Middle managers • Senior Managers <p>In addition, other functions may be considered as temporarily sensitive, if no or insufficient mitigating measures are in place at a certain point in time.</p> <p>Staff in sensitive function cannot be on the same job for more than five years, unless appropriate mitigating measures are put in place to desensitise this function.</p> <p>For middle managers, the AIPN may decide to maintain them on the same post for another two years (in this case, the AIPN is the Director General of DG INFSO) or even beyond those two years (in this case, the AIPN is the Director General of DG HR)</p> <p>For senior managers, the AIPN is the Director General of DG HR for an extension of up to two years and the College for an extension beyond those two years.</p> |
| | <p><i>The DG records derogations granted to allow staff to remain in sensitive functions beyond five years along with documentation of the risk analysis and the mitigating controls. It reports on these in the Annual Activity Report based on corresponding instructions.</i></p> | R1 | <p>COMPLIANT</p> <p>Sensitive functions in the DG are monitored twice a year in the context of the DMR exercise via a self-assessment made by each Unit on a form designed for that purpose by units R1 and S2.</p> <p>Derogations granted to staff are reported annually in the AAR.</p> |
| | <p><i>The standard IT governance policy of the Commission is applied, and in particular:</i></p> <ul style="list-style-type: none"> - <i>The DG has defined the appropriate organisation for management of the information systems it owns, generally in the form of an IT Steering Committee.</i> - <i>An annual 'schéma directeur' (IT masterplan), covering all information systems developments (regardless of budget source) for a period of three years, has been produced.</i> - <i>Each information system owned by the DG possesses a clearly identified business owner and is overseen by a steering committee.</i> - <i>All new information systems projects are approved on the basis of a vision document.</i> - <i>All new information systems are developed using</i> | R3 | <p>COMPLIANT</p> <p>This requirement is fully implemented.</p> <p>An IT Steering Committee is in place and an annual 'schema directeur' is produced . See also IT governance website. The INFSO IT 'schema directeur' covers the years 2011-2013.</p> <p><i>Each information system owned by the DG possesses a clearly identified business owner and is overseen by the steering committee. Standard Commission project methodology is applied for all Information systems.</i></p> <p>Every year, each DG has to produce an IT master Plan (Schema Directeur). This document describes the achievements in the past year (2011), the plans for the next year (2012) as well as the overall IT strategy of the DG. This year (2011), a special section has been dedicated to the IT rationalisation process (Sygma project). This process is aiming to harmonize the Information Systems used by the DGs in the Commission per domain of activity through the development of corporate systems. Eight domains have been defined so far by the SG. Grant management is one of them and DG INFSO is the leader for this domain, with Sygma as the basis.</p> <p>In addition an IT user forum has been set up. This Forum has as primary objective to give users the chance to express their opinion & suggestions on the IT tools and infrastructure in use in</p> |

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| | <i>the standard Commission project management and development methods, and take security into account from the very first stage.</i> | | DG INFSO. |

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| 8. Processes and Procedures (operational, financial, information systems) | The DG's processes and procedures used for the implementation and control of its activities are effective and efficient, adequately documented and compliant with applicable provisions. They include arrangements to ensure segregation of duties and to track and give prior approval to control overrides or deviations from policies and procedures. | R2, R3 S2 | |
| | <i>The DG's main operational and financial processes and procedures and IT systems are adequately documented.</i> | R2, R3 | COMPLIANT R2: Financial circuits and procedures were fully documented in 2010 and made available on the Manual of Procedures of DG INFSO. R3: All IT systems developed by unit R3 are adequately documented in a WIKI filled in by R3. In addition, business processes are described in the iKnow tool The Manual of Procedures (MoP) of DG INFSO gathers all of the INFSO procedures <u>in one place</u> . It is readily accessible to all staff and training on the MoP is given on a regular basis. |
| | <i>The DG's processes and procedures ensure appropriate segregation of duties (including for non-financial activities)</i> | R2 | COMPLIANT For non-financial activities, the DG has appropriate review and hierarchical structures in place. R2: The revision of the financial circuits comprised verification of compliance with the principle of segregation of duties. R2: Financial rights and circuits are implemented centrally by R2 in compliance with the financial circuits. |
| | <i>The DG's processes and procedures comply with applicable provisions, in particular the Financial Regulation (e.g. ex-ante and ex-post verifications) and the Commission's Rules of Procedure</i> | R2 | COMPLIANT R2: The revision of the financial circuits comprised verification of compliance with the applicable regulatory framework R2: Financial rights and circuits are implemented centrally by R2 in compliance with the financial circuits. Budgetary allocations for COS commitments are authorised centrally by R2. |
| | <i>A method is in place to ensure that all instances of overriding of controls or deviations from established processes and procedures are documented in exception reports, justified, duly approved before action is taken and</i> | S2 | COMPLIANT A change in the procedure for reporting exceptions in DG INFSO was introduced from 1/1/2011 in order to improve consistency and quality – e.g. Directorates must report exceptions at the start of every month to unit S2; Unit S2 checks the quality of the justifications and keeps a consolidated |

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| | <i>logged centrally.</i> | | <p>central register.</p> <p>Further to DG BUDG's Complementary Guidance, DG INFSO is adapting this guidance and the templates to suit INFSO's needs. The new INFSO guidance and templates will be applicable from 1/1/2012.</p> <p>The documentation on the financial circuits integrates the principle of segregation of duties and comprises the description of deviations from standard circuits (e.g. COS)</p> <p>R2: ABAC comprises specific codes and workflows for control overrides.</p> |

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| 9. Management Supervision | Management supervision is performed to ensure that the implementation of activities is running efficiently and effectively while complying with applicable provisions | S1+ S2 + R2 | |
| | <i>Management at all levels supervise the activities they are responsible for and keep track of main issues identified. Management supervision covers both legality and regularity aspects and operational performance (i.e. achievement of AMP objectives)</i> | S1+ S2 + R2 | <p>COMPLIANT</p> <p>The Directorates report twice a year on the achievement of their objectives via DMRs which provide input into the BMRs sent to the Commissioner and the AAR. A mid-year revision of the MP was carried out in July 2011 to monitor the achievement of objectives.</p> <p>Administration and Finance Units (AFUs) in six operational Directorates: C – H provide monitoring and overview of the Directorates activities.</p> <p>Management provides daily supervision of activities. Main unit issues are discussed at unit meetings and Directorate meetings of which minutes are kept for records and available to staff. All exceptions to the rules and procedures in place are recorded and monthly reported to unit S2.</p> <p>R2: Budget implementation and payment times are the subject of monthly senior management reports. The payment times has been subject of a thorough analysis in 2011 and measures will be implemented in 2012 to improve them. In particular, performance with respect to the recovery package targets will be presented in the monthly senior management reports.</p> |
| | <i>The supervision of activities involving potentially critical risks is adequately documented</i> | S2 | <p>COMPLIANT</p> <p>Each year, INFSO carries out a High Level Risk Assessment (HLRA) exercise covering its objectives as part of the Management Plan. A risk register at DG level contains most significant risks. Directors decide what mitigating actions will be taken. The ICC Group monitors implementation of the actions to reduce risks as well as risks for which no additional action is deemed necessary. These actions are reviewed in the context of the mid-term review of the</p> |

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| | | | Management Plan and by the ICC Group. There was no critical risk identified for 2011. |
| | <i>Management monitors the implementation of accepted ECA/IAS/IAC audit recommendations and related action plans</i> | S2 | COMPLIANT The implementation of ECA/IAS/IAC audit recommendations is monitored by the AICB Committee (monthly) and the ICC Group (twice a year). Unit S2 reports to the AICB Committee monthly on the status of IAC & IAS recommendations that have become overdue and quarterly on progress in implementation of all audit recommendations. Thanks to the strengthened monitoring of the implementation of audit recommendations in 2011, the DG has no overdue audit recommendations. |
| | <i>At least twice a year and at any time deemed appropriate, the Director-General informs the responsible Commissioner of any potentially significant issues related to internal control and audit and OLAF investigations as well as material budgetary and financial issues that might have an impact on his/her position in the College or on the sound management of appropriations or which could hamper the attainment of the objectives set</i> | S2 | COMPLIANT The DG has in place a mechanism that ensures compliance with this Requirement. Twice a year comprehensive DG INFSO Bi-Annual Management Reports are prepared covering internal control, audit and OLAF issues. In 2011, the first report, for the period from 1 July 2010 to 31 December 2011, was sent to the Commissioner on 17.3.2011 and discussed on 25.3.2011, together with the AAR 2010. The report covering first semester of 2011, from 1 January 2011 to 30 June 2011, was discussed on 22.9.2011. |

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| 10. Business Continuity (HR, IT, BCP) | Adequate measures are in place to ensure continuity of service in case of "business-as-usual" interruption. 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. | R0, R1, R4 + Directorates | |
| | <i>Adequate measures - including handover files and deputising arrangements for relevant operational activities and financial transactions - are in place to ensure the continuity of all service during "business-as-usual" interruptions (such as sick leave, staff mobility, migration to new IT systems, incidents, etc.)</i> | R0 + Directorates R1 | COMPLIANT The handover procedure is on the R1's website and includes the handover report. Deputising arrangements for essential functions are covered in the Business Continuity Plan. |
| | <i>Business Continuity Plans cover the crisis response and recovery arrangements with respect to major disruptions (such as pandemic diseases, terrorist attacks, natural disasters, etc.). They identify the functions, services and infrastructure which need to be restored within certain time-</i> | R0 + Directorates | COMPLIANT The DG INFSO Business Continuity Plan was validated by the Director-General on 29 March 2007. It was updated for the fifth time in 2011. The Business Continuity Plan is available on the R website and also on NOAH . It identifies, |

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| | <i>limits and the resources necessary for this purpose (key staff, buildings, IT, documents and other). DG Plans take account of the BCPs of the horizontal services in respect of their responsibilities for corporate services, completed as appropriate by measures specific to the DG concerned</i> | | among others, the critical, essential and necessary functions and who does what during a crisis. http://intra.info.cec.eu.int/R/Business_Continuity/Version%202011/Business%20Cont%20Plan.pdf |
| | <i>Procedures are established for exercising, updating and validating the BCP. Reviews are at least annual, through the existing risk management process</i> | R0 + Directorates | COMPLIANT The INFSO BCP was updated in September 2011. The BCT tested (Commission-wide exercise launched by SG) in October 2010. |
| | <i>Electronic and hardcopy versions of the BCP are stored in secure and easily accessible locations, which are known to relevant staff</i> | R0 + Directorates | COMPLIANT/ Intranet/Noah/paper versions. Information sent to all BCP actors. |
| | <i>Contingency and backup plans for information systems are established, maintained, documented and tested as determined by operational, business continuity and security needs</i> | R4 | COMPLIANT The IT Disaster Recovery Plan, the back-up, contingency & archive policies and operations are fully operational. The IT Disaster Recovery Plan was fully tested on 8 th October 2011 with success and the associated procedures manual updated accordingly. |

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| 11. Document management | Appropriate processes and procedures are in place to ensure that the DG's document management is secure, efficient (in particular as regards retrieving appropriate information) and complies with applicable legislation | S2-DMO (<i>Ann Vanroelen</i>), Data Protection Coordinator <i>LSO (Claire Sion)</i> | |
| | <i>Document management systems and related procedures comply with relevant compulsory security measures, provisions on document management and rules on protection of personal data</i> | S2-DMO <i>R0/LSO</i> + Data Protection Coordinator (DPC) | COMPLIANT A procedure has been established for the "Conditions of access by the competent authorities to your PC and e-mail Mailbox in conformity with the Data Protection Regulation". It is detailed at (posted on the intranet): http://intra.info.cec.eu.int/S4/dpc/EC_INFSO_protect/cond_access/index.htm Compliance with the security rules and personal data protection are directly depending on the provisions embedded in the corporate systems themselves. Security measures and personal data protection are two issues addressed by several trainings and are also available on the intranet pages dedicated to Document Management. Following the IAC Audit report on ICS 11 – Document Management – Rec. 09 on Data protection - performed in 2011 it has been agreed that awareness actions and training/information sessions |

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| | | | <p>will be organised in 2012 to increase the awareness of staff on Data Protection Rules and handling documents containing sensitive information and the technical ways to implement these Rules (expected Q2/2012). These measures are meant to increase the effectiveness of the implementation of this ICS.</p> <p>The notification on data protection has been taken up in all eDomec and ARES trainings.</p> <p>All INFISO Notifications of processing of personal data to the DPO provide for the same retention periods as those mentioned in the LCC. Each notification is submitted to the Head of Unit for information with clear instructions. It is their responsibility to implement and monitor implementation of the commitments included in each notification.</p> <p>All these processing operations on personal data will be covered according to SG/OIB decisions and included/adapted in relevant Notifications to the DPO.</p> |
| | <p><i>In particular, every document that fulfils the conditions laid down in the implementing rules needs to be registered, filed in at least one official file (each file being attached to a heading of the Filing Plan), and preserved during the period established by the document management rules. To do so, the DG uses systems which respect the above rules, mainly ADONIS and NOMCOM</i></p> | S2-DMO | <p>COMPLIANT</p> <p><u>Organisation</u></p> <p>Document management is decentralised in the DG.</p> <p>There is a Document Management Officer (DMO) and three Deputy DMOs at DG level and one DMO per Directorate (DDMO) to ensure the correct implementation of Document Management in the Directorates. To this end the DDMOs are assisted by a Document Management Desk Officers (DMDO) - plus a back-up - in each unit.</p> <p><u>Archive Plan of the DG</u></p> <p>In 2010 DG INFISO judged itself to be partially compliant with this requirement, therefore the full compliance has been a priority this year.</p> <p>Following their note Ares(2011)226034 - 01/03/2011 on the adoption of the Archive table, in which SG announced the implementation of HPS into ARES on 28/10/2011, DG INFISO completed its loading tool between July and October 2011 by attributing a CRL (Common Retention List) code/category to the 8.300 files of the DG. The data have been implemented into ARES and each file has now its ARP (Administrative Retention Period) and post-ARP linked to it.</p> <p>A note (Ares(2011)1081828) from Director S to the Management Team has been sent on 12/10/2011 describing the state-of-play.</p> <p>Between 16/11 and 1/12, meetings have been held with DDMOs at directorate level and DMDO at unit level informing them of the whole process and asking them to correct the LCC codes in NOMCOM3 when needed. The codes have been attached to all files of the DG.</p> <p>All units have now completed their task. DG INFISO is now compliant as Archive Plan is concerned.</p> <p>A note to the MT was sent onfor the approval by the hierarchy.</p> <p><u>IAC Audit on document management</u></p> <p>Referring to the IAC audit on document management, main areas to improve effectiveness of</p> |

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| | | | <p>implementation of this ICS are:</p> <ul style="list-style-type: none"> • Definition of the role of the DDMOs and DMDOs (completed Q4/2011) • Extended training offer (expected Q1/2012) • Completion of the archive schedule (expected Q1/2012) but the archive table/plan has been already finalised and implemented in Ares/NOMCOM • Better monitoring of some DM activities (expected Q3/2012) |

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| 12. Information and Communication | Internal communication enables management and staff to fulfil their responsibilities effectively and efficiently, including in the domain of internal control. Where appropriate, the DG has an external communication strategy to ensure that its external communication is effective, coherent and in line with the Commission's key political messages. IT systems used and/or managed by the DG (where the DG is the system owner) are adequately protected against threats to their confidentiality and integrity | <p>S3</p> <p>S1, S2, S4 R1, R2, C3</p> <p>LISO (Francisco Guirao Moya)</p> <p>(R3, R4)</p> <p>Data Protection Coordinator</p> | |
| | <i>Internal and external communications comply with relevant copyright provisions</i> | S3 | <p>COMPLIANT</p> <p>A procedure has been established for the "Conditions of access by the competent authorities to your PC and e-mail Mailbox in conformity with the Data Protection Regulation". It is detailed at (posted on the intranet): http://intra.infso.cec.eu.int/S4/dpc/EC_INFISO_protect/cond_access/index.htm</p> <p>All colleagues in unit S3 are trained on copyright issues. Responsible for publications, external websites, and the intranet they remain aware of their copyright obligations, and implement them in their daily work.</p> |
| | <i>Management scoreboards (or equivalent tools) are developed for the DG's main activities and thereafter, if appropriate, at the level of Directorates and Units. These include concise management information necessary to oversee the entity's activities and evolution, for example: performance indicators, financial information, legality and regularity error rates, project deadlines, significant audit findings, HR indicators and Equal Opportunity targets, or other relevant management information</i> | S1, S2, S3, R1, R2, C3, S5 | <p>COMPLIANT</p> <p>Important information channels and management reports are issued regularly: Unit R1 issues periodical reports on human resources. R2 reports monthly/quarterly on budgetary and financial aspects. C3 monitors and evaluates the DG's research and policy programmes. S1 and S2 report in the context of the Management Plan (MP) and Annual Activity Report (AAR). Twice a year, S2 drafts a consolidated Bi-annual Management Report (BMR) for the Commissioner. Unit S2 provides monthly reporting on the implementation of IAC & IAS overdue audit recommendations and quarterly reporting for all IAC & IAS recommendations. Directors contribute to the DG's overall picture by reporting 'bottom-up' through their Directorates' Management Reports (DMR).</p> <p>S1 prepares a scoreboard on the reporting obligations deriving from legislation in force. It provides a Commission's report to the Institutions on the state of play of legislation after adoption by the</p> |

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| | | | <p>Institutions. It is updated every three months. S1 has also prepared a Management Dashboard that includes 10 key indicators important for the management of the DG's activities. This dashboard is updated every six months. Unit S5 reports monthly on the status of external audit files.</p> <p>Unit R4: provides monthly reports to the management on the use of its financial lines and of its experts; it provides also the management with quarterly reports on the activities of the unit and on Key Performance Indicators (KPI's). Unit R2: financial reports are presented to the management team once a month.</p> |
| | <i>Arrangements in line with the Commission's Internal Communication and Staff Engagement Strategy are in place to ensure that management and staff are appropriately informed of decisions, projects or initiatives – including those in other DGs – that concern their work assignments and environment</i> | S3, R1 | <p>COMPLIANT</p> <p>There are many channels used for internal communication within DG INFSO: the Intranet, the news corner, newsletters, emails, videos, posters, information conferences, unit meetings, the general staff assembly and staff meetings targeted for specific functions (project officers, financial officers, secretaries etc). Units R1 and S3 jointly developed a Staff Engagement Strategy endorsed by the MT in October 2011 which aims, among others, at enhancing collaboration and communication.</p> <p>S3 are working not only to support information, but also interaction, collaboration and two ways communication.</p> <p>The DG INFSO intranet is open to the whole Commission.</p> |
| | <i>All personnel are encouraged to communicate potential internal control weaknesses, if judged significant or systemic, to the appropriate management level. Contact person(s) is/are assigned to facilitate and coordinate such reporting</i> | S2 | <p>COMPLIANT</p> <p>A list of contact persons to whom staff can communicate Internal Control weaknesses and their back-ups per Directorate is available on intranet. The list was updated in January 2011.</p> |
| | <i>Where appropriate, the DG has a documented strategy for external communication (outside the Commission), including clearly defined target audiences, messages and action plans. The communication strategy is devised from the beginning of policy formulation and is discussed with the Cabinet responsible. Coordination is sought with other DGs and DG COMM concerning communication priorities.</i> | S3 | <p>COMPLIANT</p> <p>An annual Communication Plan is annexed to the Management Plan in line with DG COMM requests.</p> <p>Latest developments that could have an effect on the DG's communication strategy and annual communication plan are discussed in the Management Team meetings. Further communication actions are discussed on a daily basis with the Commissioner's spokesperson.</p> <p>DG INFSO regularly liaises with other DGs involved with the Digital Agenda and DG COMM concerning communication priorities through established networks.</p> <p>The DG regularly communicates information about our actions to our stakeholders and the outside world as well, via the Europa website, EU Tube, TV, newspapers, brochures, etc. in line with our external communication strategy as well as web-presence of the Commissioner and her blog.</p> <p>In what turned out to be a Commission-first, DG INFSO has systematically been monitoring the impact of DG INFSO's communications efforts since 2007. An external contractor (the Spotter contract) analyses quantitative and qualitative take-up of press releases by print media and online sources. Results are regularly cross-checked with information gathered elsewhere (e.g. from DG COMM and the spokesman's service). Feedback (daily alerts; weekly, monthly, yearly reports) is shared with Directors and Director-General at the management meeting and with the</p> |

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| | | | <p>Commissioner and her Spokesman and Cabinet and is thus included in any adaptations of ongoing communications strategies. The annual reports are analysed and included in the DMR/AAR.</p> <p>Each year we produce a "Statistical snapshot" document looking at our website.</p> <p>The document contains a short analysis and some conclusions on what to do for the future (example: A website is not an end in itself – it is a channel to transmit content and enable interaction with interested audiences. If the content is not of interest or practical use to a wide audience, no amount of eye candy or promotion efforts will help. We need to examine our return on investment in websites which will probably never be box-office hits).</p> |
| | <p><i>The standard Information Systems Security Policy of the Commission is applied. In particular, each DG has adopted and implements an IT Security Plan based on an inventory of the security requirements and a risk analysis of the IT systems under their responsibility, and applies at least the relevant control measures of the corporate IS Security Policy</i></p> | <p>LISO (R3, R4, S3)</p> | <p>COMPLIANT</p> <p>A Security Plan is in force and available on the DG's Intranet. The Security Plan was formally adopted in 2010. It is split in three areas of responsibility, that of R3, R4 and S3. It protects IT systems managed by DG INFSO against confidentiality, integrity and availability threats.</p> <p>Unit R3: all IT/IS projects have been classified according to their IT security, risk analyses performed for 'specific' IS and IT security Plans have been produced according to Security Directorate rules.</p> <p>Unit R4: the security plan is in force; however, some pending actions were slightly delayed due to non-availability of a System Security Officer. A new deadline (lying between end 2011 and 1Q2012) is being now established since the recent arrival of the new SSO.</p> |
| | <p><i>The IT systems support adequate data management, including database administration and data quality assurance. Data management systems and related procedures comply with relevant Information Systems Policy, compulsory security measures and rules on protection of personal data</i></p> | <p>LISO (R3, R4, S3) + Data Protection Coordinator (S4)</p> | <p>COMPLIANT</p> <p>A procedure has been established for the "Conditions of access by the competent authorities to your PC and e-mail Mailbox in conformity with the Data Protection Regulation". It is detailed at (posted on the intranet): http://intra.infso.cec.eu.int/S4/dpc/EC_INFSO_protect/cond_access/index.htm</p> <p>The DPC in collaboration with concerned data controllers put in the Commission's Register the required Notifications to the DPO covering processing operations on personal data performed in the context of DG INFSO core activities (management of R& D and other programmes and initiatives), external audits, internal audits. 2 additional Notifications are in preparation, i.e. covering processing of personal data on DG INFSO Intranet (who's who and private events).</p> <p>One notification has been finalised in 2011 "INFSO Staff Competencies and Aspirations Mapping database in the context of voluntary internal mobility" (http://ec.europa.eu/dataprotectionofficer/register/disp_notification.cfm?id=3403&ver=1)</p> <p>R3: Adequate database administration and data quality assurance are provided in accordance with the IT corporate Policy.</p> <p>R4: all Information Systems are hosted on unit R4's servers, located in two distinct computer rooms, equipped, backed-up and secured according to OIB, DIGIT and HR.DS recommendations and guidelines. Logical access to the Information Systems and Data Bases follows HR.DS</p> |

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| | | | recommendations, in agreement with the LISO. Measures are in place to ensure that access to Personal Data is granted only to the authorised users. |

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| 13. Accounting and Financial Reporting | Adequate procedures and controls are in place to ensure that accounting data and related information used for preparing the organisation's annual accounts and financial reports are accurate, complete and timely. | R2 | |
| | <i>Each Authorising Officer has responsibility for ensuring the reliability and completeness of the accounting information under his/her control necessary to the Accounting Officer for the production of accounts which give a true image of the Communities' assets and of budgetary implementation</i> | R2 | COMPLIANT Regular bi-monthly reports were submitted to the OS/AFU to detect and implement corrections to the accounts throughout the year Regular reporting and follow-up allowed minimising the impact and number of year-end corrections to the accounts |
| | <i>The Accounting Correspondent (AC) is the coordinator and acts as helpdesk within the DG with a view to ensuring the quality of the DG's accounting data and information supplied to the Commission central accounting system</i> | R2 | COMPLIANT The Accounting Correspondant carries out its duties according to ICS 13 and has the necessary qualifications, skills and training. He will be replaced in 2012. Continuity of operations is guaranteed. The AC training map is determined in view of ensuring compliance with ICS 13 |
| | <i>The DG's accounting procedures and controls are adequately documented.</i> | R2 | COMPLIANT Accountancy procedures, including the cut-off methodology, were subject to further documentation in 2010, and are now fully documented The IAC audit on cut-off procedures concluded that accountancy procedures are adequately and completely documented |
| | <i>Financial and management information produced by the DG, including financial information provided in the Annual Activity Report, is in conformity with applicable accounting rules and the Accountant's instructions</i> | R2 | COMPLIANT The draft standard financial annex to the AAR is reviewed and verified by the AC in view of detecting any material error in the annual accounts. The standard financial annex to the AAR did not include any material error |

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| 14. Evaluation of | Evaluations of expenditure programmes, legislation and other non-spending activities are performed to assess the results, impacts and needs that these activities aim to | C3 | |

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| activities | achieve and satisfy. | | |
| | <p><i>Evaluations are performed in accordance with the guiding principles of the Commission's evaluation standards. Corresponding evaluation baseline requirements are applied for retrospective evaluations (interim, final and ex-post) while prospective evaluations (ex-ante and impact assessments) follow the relevant specific guidelines.</i></p> | C3 | <p>COMPLIANT</p> <p>DG INFSO's Evaluation and Monitoring unit fulfils the following functions:</p> <ul style="list-style-type: none"> • ensures timely and appropriate evaluation of the effectiveness and impact of EU Information Society and Media policies and programmes, and support to the preparation of Impact assessments for new policy initiatives in the context of "better regulation"; • provides senior management with advice on strategic orientations as a result of evidence-based evaluations; • ensures that evaluation matches best practice in other services of the Commission, and world-wide, and meets the requirements of the financial regulation and the Commission's evaluation and impact assessment guidelines; • also ensures that Impact assessments meet the requirements for the Guidelines adopted by the Commission in 2005, and assures the liaison with the Impact assessment Board and its secretariat; <p>Following up on the Smart Regulation policy of the president, training on roadmap writing was organised by C3 in 2010. In 2011 C3 has co-ordinated and provided quality guidance on IA roadmaps.</p> <ul style="list-style-type: none"> • Two framework contracts for studies in the IA and evaluation fields have been managed by the unit. • DAE Going Local initiative was evaluated internally, as was the Digital Agenda Assembly. The Final (Second Interim) Evaluation of CIP ICT PSP has been finalised in 2011 (with the participation of an external panel) and its results as well as their underlying evidence communicated to DG ENTR as a contribution to the CIP evaluation as requested by the legal base. The evaluation of Going local II has been launched. <p>A manual on evaluating legislation has been produced by the unit which puts DG INFSO at the forefront in operationalising the Smart Regulation policy of the Commission (ie that any regulatory initiative or guidelines must be preceded by an evaluation of what went before). This manual has been presented in the evaluation network of the Commission and is expected to be widely used by other DGs.</p> <p>Seven DG INFSO initiatives went to the IA Board. Over a dozen IA files are in different stages of development. The unit has also communicated around IA issues in order to be better involved in all stages of the operational units' IA work. We have also accompanied the units to the Impact Assessment board meetings for all IAs.</p> <p>Quality assessment fiches for 1) on-going and 2) finalised evaluations have been introduced and are mandatory for all evaluations managed or contributed to by the unit. Quality assessment fiches are also introduced for the Impact Assessments.</p> <p>The evaluation activities were appropriately and timely organised (panel evaluations mainly) and resourced to meet their purposes both in terms of external and internal resources. The FP7 evaluation on the ICT part was also presented to the overall FP7 evaluation performed by DG</p> |

| ICS | Standard & Requirements | Chef-de-file | ICS Review |
|-----|-------------------------|--------------|--|
| | | | <p>RTD.</p> <p>All evaluations undertaken or contributed to by unit C3 are, as a matter of course, followed by the action plans. These action plans have been monitored and presented at various levels of hierarchy inside DG INFSO. In 2011, this was the case for the CIP evaluation. .</p> <p>The timing of the evaluations is inscribed in the legal bases but the evaluations performed have been timely and have permitted for the results to feed usefully into DG INFSO decision-making in various ways. For example, references to evaluations have been made extensively in INFSO policy documents, for instance the FP 7 interim evaluation has been used widely in the preparatory work for Horizon 2020. Another example is the JTI evaluation which constitutes the main source for a planned communication on the follow-up to the JTI instrument. In addition, the FP7 interim evaluation recommendations were followed up by two new studies or reviews on industrial participation (internal review) and control systems in the Member States. As a matter of course, the results of evaluations and action plans are presented to the MT meetings and/or to the commissioner.</p> <p>The results of the internal evaluation on the DAE Going Local initiative has permitted: a) to focus the Going Local 2.0 follow-up initiative on key issues rather than general presentation of the DAE, b) a more regional approach and c) has permitted INFSO to communicate efficiently this initiative to other DGs (DG COMM) as well as to the Commission representatives in the Member States.</p> |

| ICS | Standard & Requirements | Chef-de-file | ICS Review |
|---|--|--------------|--|
| 15. Assessment of Internal Control Systems | Management assess the effectiveness of the DG's key internal control systems, including the processes carried out by implementing bodies, at least once a year | S2 | |
| | <i>Management assess the effectiveness of the DG's key internal control systems, including the processes carried out by implementing bodies at least annually. Such self-assessments can, for example, be based on staff surveys or interviews combined with management reviews of supervisory reports, results of evaluation and ex-ante/ex-post verifications, audit recommendations and other sources that provide relevant information about the DG's internal control effectiveness</i> | S2 | <p>COMPLIANT</p> <p>Assessment of the effectiveness of the DG's key internal control systems is carried out annually as part of the AAR process. Twice a year (in June and January) each Director is required to prepare a Directorate's Management Report (DMR) which contributes to the AAR and declaration of assurance of the Director-General, as well as to the report to the Commissioner. The reports contain parts on risk management, ICS implementation and effectiveness, internal control weaknesses and proposals for the following year's priorities, audit recommendations. Directors also give their overall opinion of internal control system. The Internal Control Coordinator of the DG, the Director of General Affairs, on the basis of overview of the DG's internal control systems proposes actions to improve implementation of the ICS to be considered by the Directorates concerned.</p> <p>Each year senior management also agree on priority ICS for effectiveness reviews. Management chose one priority for 2011 review: ICS 9 on management supervision. The ICS priorities are followed up at DG-level by unit S2 and via the ICC Group. The relevant chefs-de-file are asked to report annually on actions performed to increase effectiveness of the implementation of the ICS.</p> |

| ICS | Standard & Requirements | Chef-de-file | ICS Review |
|-----|---|--------------|--|
| | | | <p>The review supports the assertion that DG INFSO is effective in its implementation of these standards.</p> <p>The top-down assessment of managers, combined with the annual IAC's opinion on Internal Control system is complemented by a bottom-up review of compliance and effectiveness carried out annually by unit S.2. This is done by a desk review followed by requests for contribution from relevant chefs-de-file and additionally bilateral meetings. The self-assessment focuses on the DG's main activities and risks and the results of self-assessments give rise to follow-up actions.</p> <p>In 2011 a DG-wide awareness raising campaign was carried out. Over the period of June – November unit S2 has met all units for a presentation on ICS followed by a discussion. Questions from staff were answered and comments received. Questionnaires on ICS were sent to all staff in advance of the meetings to tailor the meeting to units' needs. A report will be drafted to the MT with proposed follow-up actions to further increase the effectiveness of the implementation of ICS.</p> |
| | <i>On an annual basis – as part of the Annual Activity Report – the Resource Director/Internal Control Coordinator signs a statement, to the best of his/her knowledge, on the accuracy and exhaustiveness of the information on management and internal control systems provided in the Annual Activity Report</i> | S2 | <p>COMPLIANT</p> <p>Declarations were signed by the Internal Control Coordinator on 29.3.2011 and the Resources Director on 15.3.2011 in the context of 2010 AAR exercise. Declaration of Assurance was signed by the Director-General, Robert Madelin, on 30.3.2011 without a reservation.</p> <p>The self assessment approach of DG INFSO has been designed and approved by senior management. The process is supported by senior management.</p> |

| ICS | Standard & Requirements | Chef-de-file | ICS Review |
|--------------------------------------|--|--------------|--|
| 16. Internal Audit Capability | The DG has an Internal Audit Capability (IAC), which provides independent, objective assurance and consulting services designed to add value and improve the operations of the DG | 01 | |
| | <i>The role and responsibilities of the DG's Internal Audit Capability (IAC) are formally defined in an audit charter.</i> | 01 | <p>COMPLIANT</p> <p>The Charter of the IAC defines mission and objectives, accountability and responsibilities of the IAC. It is available on the IAC's Intranet page. The IAC's Charter has been developed, approved and signed by the IAC and DG.</p> <p>The Charter of the IAC was updated on 26/01/2011, in accordance with the new International Standards for the Professional Practice of Internal Auditing.</p> |
| | <i>The annual audit work plan is risk-based, forms part of a multi-annual strategic plan coordinated with the IAS and is approved by the Director General</i> | 01 | <p>COMPLIANT</p> <p>The annual work plan is available on the Intranet. It is risk based and has been approved by the Director-General. It forms part of the multi-annual strategic plan coordinated with IAS. The annual audit work is based on an annual plan that is drawn on the basis of a three-year strategic audit plan.</p> |

| ICS | Standard & Requirements | Chef-de-file | ICS Review |
|-----|---|--------------|--|
| | | | <p>The annual audit plan complies with internationally recognised audit standards.</p> <p>Internal audit work plan of the IAC for 2011 was approved by the Director General on 21/02/2011, following its presentation to the AICB committee. The internal audit work plan for 2012 will be approved by the Director General in the beginning of 2012.</p> |
| | <i>The Director General ensures that the IAC is independent of the activities they audit</i> | 01 | <p>COMPLIANT</p> <p>A chapter on IAC's independence and objectivity has been included in the Charter.</p> <p>The IAC does not fulfil any operational tasks and is therefore independent of the activities to be audited. The auditors are sufficiently aware of the principles of integrity, objectivity, confidentiality competency and apply them in all their dealings.</p> |
| | <i>The Director General ensures that the IAC has sufficient and adequate resources to perform the audit work plan</i> | 01 | <p>COMPLIANT</p> <p>The IAC of DG INFSO is composed of the Head of the IAC, four Internal Auditors, one assistant auditor and one secretary. The adequacy of the resources is examined on a yearly basis at the time of the update of the work programme.</p> <p>In 2011, according to the estimate, IAC will carry out 93% of the planned audit work. All audits, planned for 2011 should be finalised, except for two audits (one of them a follow-up audit), for which draft reports should be finalised in 2011 and the final reports will be issued in January 2012.</p> <p>In 2011, the final reports including recommendations, management comments and action plans have been submitted for all finalised audits, except one, for which an action plan will be submitted in January 2012.</p> |



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

Brussels, 18.01.2012
INFSO S2/LCS/ks

NOTE FOR THE ATTENTION OF DG INFSO MANAGEMENT TEAM

Subject: MT meeting of 23.01.2012
DG-wide awareness raising campaign on Internal Control Standards
June –December 2011 – final report

Methodology

As agreed in the MT meeting on 27 April 2011 and outlined in the note Ares(2011)410321 submitted for that meeting, unit S2 has completed meetings on Internal Control Standards (ICS) with all INFSO units. The meetings were scheduled between June and December 2011. All units were asked to complete a questionnaire on ICS in advance of the meetings (Annex 1). The questionnaires helped unit S2 to adjust meetings to units' needs. Unit S2 analysed all replies and gave feedback in the meeting.

The purpose of the meetings was threefold: to present in a user-friendly manner the framework of ICS and how it is implemented by staff (Annex 2), to answer any questions on ICS that staff might have and to give feedback on the unit's replies to the questionnaire and practical examples to show how ICS are present in day-to-day work for each of the six management areas covered by ICS. It has been emphasised in the meetings that all staff are responsible for the implementation of the ICS.

A Guide on Internal Control Standards, with a message from the Director-General, developed by unit S2 was distributed to all staff in the meetings (Annex 3). The purpose of the Guide is to present ICS in a simple language, giving useful hints on what each member of staff can do on a daily basis to implement the ICS. The Guide was welcomed by staff. It is a living document and unit S2 has already revised it on the basis of comments received from staff in the discussions.

Findings

Unit S2 received 587 replies to the questionnaire on ICS. Analysis of the replies was made per unit and feedback was given in the meetings. It is estimated that around 70% of INFSO staff participated in the meetings. The general awareness of staff of rules and procedures stemming from ICS is very high which confirms DG INFSO's high compliance rates with the ICS. The units were usually interested in the topic and many staff members actively participated in the discussions. While staff appreciate that ICS provide a useful framework for

internal control in terms of Commission-wide transparency and accountability, they welcome more guidance on ICS and, in particular, practical examples of the implementation of ICS that show a direct link with the daily work in DG INFSO. Some criticism has, however, been voiced relating to the need for revision and simplification of the ICS framework. Staff are willing to be involved and contribute to even better implementation of the ICS as long as they see that the internal control framework contributes to the fulfilment of the Commission's objectives. It was suggested that the internal control standards should rather be called "quality" standards, as this would better reflect what they are and it would ensure commitment of staff to the implementation of the standards, as we are all already committed to provide "quality" services to the public.

Strengths

- On general, staff have good awareness of the rules and obligations coming from the ICS. For most of the respondents ICS are norms and rules that they apply in their daily work. When asked which of the ICS apply to their daily work and for which they feel responsible for implementation, staff rightly listed most of the ICS. Staff were advised to consult the ICS website for further information on specific ICS: <http://intra.infso.cec.eu.int/ICS>.
- A great majority of staff declare that the mission of their unit is reflected in their personal objectives. If it was not the case, the issue was raised in the meetings and the units were asked to review the objectives so that they better reflect the mission of the unit.
- Most staff declare that they are aware of the ethics issues that could concern them. Majority have declared that they have never been in a conflict of interest situation and have never received any gifts or hospitality. Those who have, usually reported it according to the rules. The training on *Dealing with lobbyists* was advertised in meetings and staff were encouraged to follow it.
- Majority of staff have read the INFSO Guide on Ethics and Integrity or parts relevant to their work. If this was not the case, staff were advised during the meeting to read the INFSO Guide on Ethics and Integrity.
- Most of the respondents consider that they have received enough training, usually both on-the-job and specific, to perform their tasks to the highest standards. It was reminded to staff in the meetings that in line with ICS 4 on staff evaluation and development they are obliged to follow the compulsory trainings for their function.
- Staff are satisfied with the degree of supervision they receive from their superiors. They have declared that they receive their superiors' advice whenever needed. The training on *Management Supervision* was advertised in meetings and Heads of Unit and staff exercising supervisory functions were encouraged to follow it.
- Majority of staff declared that back-ups in their units are designated in advance.
- When asked to choose statements with which they agree, most staff agreed that adequate training and user support is provided when new IT systems are introduced, potentially critical risks are supervised more closely and that transactions of high monetary value are given extra attention by management. Other options were selected twice less often: complex operations such as project management are well-supervised, staff are provided with sufficient guidance to help them identify and react to politically sensitive issues and management pays enough attention to activities that impact the working conditions of staff.

Areas for improvement

- A few respondents in most of the units reported in questionnaires that ICS were a new notion for them. It can be assumed that most of them were newcomers. However, to ensure that newcomers are given adequate training on ICS it would be advisable to offer training on ICS for newcomers on a regular basis.
- The awareness of the priority ICS for 2011 was very low, usually around 3 staff per unit knew the INFSO priority for 2011. The number of correct replies varied from 0 to 8 per unit. This was probably due to the fact that not enough publicity is given, on general, to the priority ICS. The information on priority ICS should also be communicated top-down to staff. In this context, the Management Plan could also be used as a tool for communication to staff.
- There are cases where staff admitted that they had not reported the received gifts/hospitality due to, mainly, perceived lack of clarity of the rules on reporting gifts and hospitality. Therefore, guidance, clarification of procedures and awareness-raising should continue to be provided. Also, staff would be interested to see statistics on the reported gifts/hospitality and money gathered for charity. More transparency and showing good practice would be an additional incentive for staff to report the received gifts and hospitality. The issue of reporting of gifts and hospitality was raised in almost every meeting. Each time the thresholds for reporting gifts and hospitality and related procedures were reminded to staff. The website on reporting gifts and the link to the dedicated mailbox INFSO ETHICS-GIFTS were reminded to staff. Also staff were encouraged to raise all ethics issues they might have with the four Ethics Correspondents of DG INFSO.
- In some cases staff declared that there had been no time to follow the necessary training and that they had acquired the necessary knowledge by doing the job. The issue of obligatory trainings was raised repeatedly. Staff complained that it is very difficult to follow obligatory trainings as they are fully booked even well in advance and there is no automated function in Syslog which would help monitor what trainings are obligatory for which functions. Additionally, it was requested that especially obligatory trainings are offered in Luxembourg and for a lower number of participants as the threshold. It was also suggested that the training on *Dealing with lobbyists* should be organised in Luxembourg.
- Staff said that in some cases back-ups are designated only when the need arises. It was clarified to staff that in line with ICS 10 on business continuity back-ups should be defined in advance in order to ensure business continuity at all times.
- Staff, in several meetings, complained about the multiplicity of IT tools used for project management. The need for simplification was strongly expressed by staff. It was also suggested that users of IT tools should be involved in the development of tools at an even earlier stage, which would help avoid later corrections.
- It emerged in the meetings with units in Luxembourg that there is some feeling of isolation among colleagues in Luxembourg in terms of access to training and exchange of good practice with colleagues from units located in Brussels. It might be useful to assess if more training, workshops and exchange of good practice could be provided to colleagues in Luxembourg.

Conclusions and follow-up actions

On the basis of questionnaires filled in by staff and the discussions in meetings with units, unit S2 proposes that the following actions should be carried out to further enhance the implementation of the ICS in DG INFSO:

- Collaborative space on ICS as part of INFSO Sharepoint to be developed – this forum will be used to involve staff more in the implementation of ICS and to increase staff's ownership of the ICS; it will offer a platform for Q&As and exchange of good practice; it will be a one-stop-shop for all ICS for all staff. (Unit S2 + R3)
- Continue the current best practice in raising awareness on ethics issues and in regular reminders to staff at relevant timing (e.g. in case of change of rules, in specific periods of the year etc.) in order to address the perceived complexity of ethics rules, in particular on reporting of gifts and hospitality. (Unit R1)
- Anonymous statistics on gifts and hospitality reported by staff to be provided on a yearly basis on the total number of declarations of gifts by INFSO staff, distinguishing between gifts < 50€ and >50€, if this is considered appropriate by the Management Team. (Unit R1)
- More publicity given to INFSO priority ICS – explanation of the process and involvement of staff in selection of ICS priorities for 2013. (Unit S2)
- A greater involvement of staff in risk management, Management Plan, ICS priority processes via ICS Sharepoint and by raising these issues in unit meetings. (Unit S2 + HoUs)
- Clarification to staff of reporting channels for internal control weaknesses, fraud, wrongdoing, non-compliance, anomalies in projects. (Unit S2)
- Training *Dealing with lobbyists* to be organised more frequently in Brussels and to be offered in Luxembourg. (Unit R1)
- A list of obligatory and recommended trainings for different functions, which is available on the L&D webpage of R1, to be promoted through the weekly newsletter and targeted emails. (Unit R1)
- Training for newcomers on ICS, as proposed repeatedly by participants in meetings on ICS (e.g. in the Newcomers' Day). (Unit S2 + R1)
- Possibility of discussions with unit S2 and experts from other units in a given field, depending on the request by the unit during unit meetings to discuss specific ICS related issues. (Unit S2 + HoUs)
- Assessing how IT tool users can be included in the development of new tools at an earlier stage to increase their feeling of ownership. (Unit R3)

Linda Corugedo Steneberg

Enclosures: Questionnaire on ICS completed by units in advance of the meeting (Annex 1)
Presentation on ICS given in the meetings (Annex 2)
INFSO Guide on Internal Control Standards (Annex 3)

Cc: INFSO Assistants, M. Sanagustin, A. Rauch, Y. Motteu,
K. Szumielewicz, A. Sarkisyan, Ch. Dubs, F. Borella, Ch. Pfister,
J. Perez Echague

External Audit Unit

External Audits Synthesis Report 2011

Final
21.02.2012

DG INFSO's External Audit Unit contributes to the protection of the DG's financial interests, by mitigating the financial risks linked to the execution of cost-shared actions. It organises and undertakes financial audits to assess and verify the legality and regularity of costs claimed by contractors. Based on the experience gained, the External Audit Unit provides advice to the DG regarding cost eligibility issues, supports the implementation of audit results and helps to improve ex-ante controls.



European Commission
Information Society and Media

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Annexes:

- 1) Summary of implementation of the external audit results in DG INFSO (as of 31.12.2011)
- 2) Olaf table (*limited distribution*)

Executive summary

The ex-post audit function of DG INFSO which has become S5 from 06/2011 onwards following a reorganisation (previously 02) has successfully implemented its work programme in 2011. This involved the closure and launch of about 200 audits.

The main priorities of the unit work were as follows:

- The residual error rate applicable to FP6 cost claim based expenditure dropped in 2011 below the control target of 2%. This confirms the successful implementation of the FP6 audits strategy. The principal purpose of the strategy was to control the residual error at the level of 2%.

The attained error level at the end of 2011 equals 1,9% which is in line with the projections made in the frame of the AAR 2010. In line with the standing instructions for the AAR 2011 on this basis there seems no need to introduce a reservation regarding the legality and regularity of payments against cost claims in FP6.

- The implementation of the FP7 audit strategy is well on the way. At the end of 2011 341 audits were launched which equals 43% of the audits planned to be launched within the frame of FP7, i.e. 800 audits in the time frame 2009-16.

- The research services have also agreed in 2011 to adopt a single sample approach to be implemented from 2012 onwards. This implies that the assurance process from 2012 onwards will be based to a large extent on the error rates stemming from the common audit sample.

The Research DGs have further agreed to modify the calculation of the error rate in FP7 compared to FP6. The modified method is similar to the approach taken by the ECA and considered to be more accurate in statistical terms. The main difference between both methods is that the old approach weighs the financial amounts involved (audited funding requested and accepted compared to eligible funding after audit) whereas the new method is strictly error rate based and does not weigh the related financial impact.

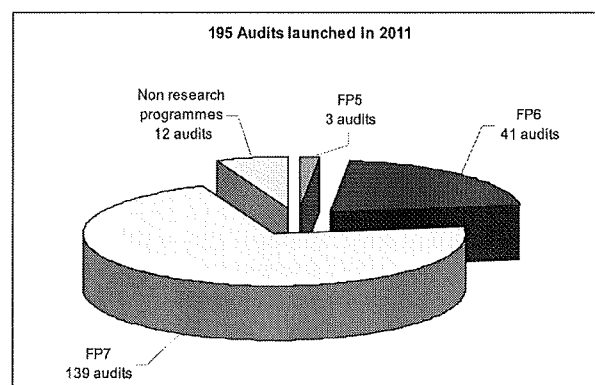
- In 2011 S5 contributed to the definition and adoption of the DGs Anti-fraud strategy. The latter, formally adopted in 2011 by the Management Team, aims at improving prevention, detection and correction of fraudulent activities. It describes the measures, the proposed processes and responsible services for the achievements of these objectives. In order to raise awareness amongst key staff unit S5 organised presentations of the strategy in the different directorates of the DG.
 - S5 continued its close cooperation with OLAF facilitating the effective follow up of the cases in which over-claim is linked to fraudulent activities. This collaboration is also essential in view of the successful completion of OLAF investigations.
 - In terms of achieving the objective of protecting the DG's financial interest unit S5 worked on the extension of the audit coverage to smaller programmes managed by the DG. In implementation of this objective S5 defined an Audit strategy on non-research programmes which is currently under adoption and successfully completed the call for tender for selecting audit services providers.
-
- During 2011 the External audit unit continued its strong involvement in the handling of the submitted certificates on the methodology under FP7 by participating in the inter-DG Joint Assessment Committee. The FP7 methodology certification is also a key tool aiming at reinforcing the ex-ante controls and therefore contributes to the protection of the DG's financial interests.
 - the ex-post audit function was subject to comprehensive audit work affected by the IAS and the ECA in the course of 2011. These audits absorbed substantial resources in support of the audit field work, the related discussions and the elaboration of action plan in follow-up of the recommendations provided. The action plan aims to strengthen internal procedures in the areas of planning, monitoring and quality assurance.
 - S5 has continuously been involved in the discussions concerning the financial provision applicable to Horizon 2020 and has actively contributed to their elaboration
 - S5 has animated the EPAC network which aim to support the implementation of audit results and extrapolation procedures by addressing the related IT- and procedural issues, contestations and co-ordination aspects. This network has proven to be key regarding the timely follow-up and implementation of audit adjustments. In fact the implementation status of audit results and extrapolation procedures is good and free of substantial delays.

The purpose of this report is to summarise the activities of the External Audit Unit, to contribute to a systematic analysis of the audit results within the context of the Annual Activity Report and to provide recommendations with a view to improving the internal control process in DG INFSO.

Audit activity

Initiation of new audits

In 2011 the External Audit Unit has launched in total 195 audits.



In terms of audit plan objectives INFSO.S5 arrived at 98 % of the initially planned audits to be launched (200 in 2011). The overall audit launches in 2011 show a significant increase compared to the ones in 2010 (156).

As far as structure of the audits launched is concerned some elements are to be noted. The audits launched on contractors participating in FP6 are beyond the initially planned number (41 launched vs 20 planned).

The share of the launched FP7 audits remains stable compared to the plan (139 launched vs 130 planned). Again, as for FP6, the focus was put on risk beneficiaries (95 audits launched). Additional 34 audits were initiated on DG INFSO TOP beneficiaries and 10 audits were initiated by the European Court of Auditors.

The 2011 audit plan foresaw the initiation of 50 audits on beneficiaries of non research programmes managed by DG INFSO. The actual number of audits launched in this area was 12

There are two main reasons for the delay in the audits' initiation in the non-research area.

It is to be recalled that the DG INFSO Internal Audit Capacity issued a recommendation to adopt and implement an audit strategy for non-research

The non-research audit strategy has been defined and is currently under review. As the costs/effectiveness consideration does not allow having a fully representative sample of beneficiaries the strategy foresees the stratification of the beneficiaries' population into several groups – TOP, having high risk profile, rest of the population. The entities already audited under the Framework Research programmes will be, at first stage, excluded from the selection for audit. A sample will be then drawn out of each group which will allow having a representative view on the error rate in the whole population. This approach is currently discussed with DG BUDG.

The second action - after the strategy' adoption –

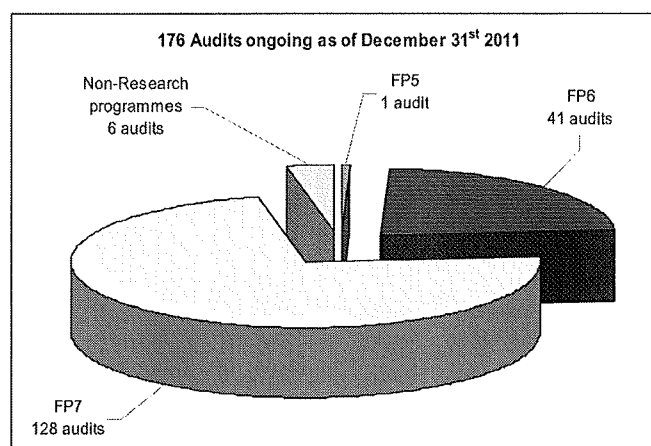
was the launch of a call for tenders for the provision of audit services in the non-research area. The tender was successfully closed by the signature of the Award Decision on November 3rd 2011. The framework contracts with the tenderers selected as first and second contractors were signed on November 30th 2011.

The completion of the tender procedure at the year end was the main reason for delaying the non-research audits initiation to 2012.

Second factor for the delay was the priority given to the audits in the first DG Research family's common audit sample in FP7. The results of the latter were communicated on November 25th 2011 and the audits are foreseen for launch in the end of the first quarter of 2012. Indeed, some capacity had to be kept available for the completion of the 35 INFSO audits (the sample concerned 48 DG INFSO beneficiaries out of which 13 already audited).

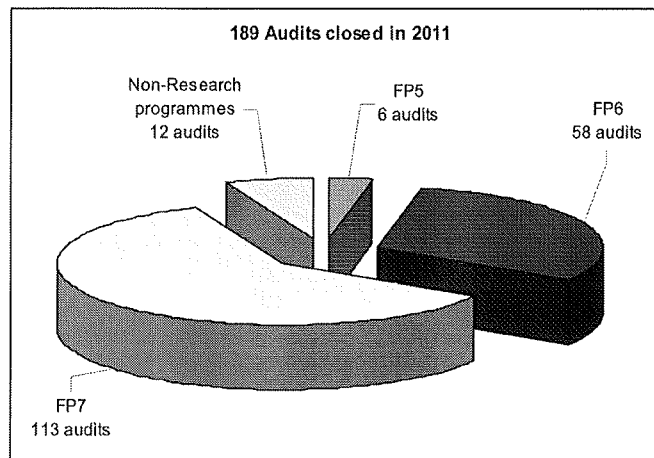
Ongoing audits

At the end of 2011 the ongoing audits were 176. Currently, the most important part of the ongoing audit work is focused on the Sixth and Seventh Research Framework Programmes.

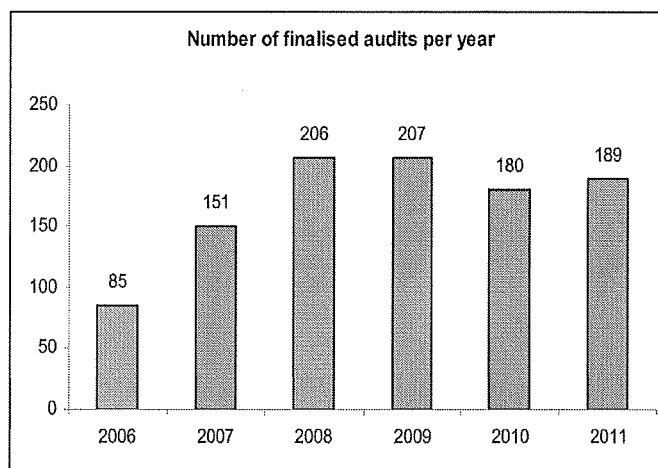


Finalised audits

During 2011 189 audits have been closed by Unit INFSO.S5:



The number of audits closed in 2011 is in line with the level of 2010 but slightly below the target level (planned closure of 200 audits).



Audit strategy

FP6

The implementation status of the FP6 audit strategy in relation with DG INFSO audits as of December 31st 2011 is as follows:

The implementation of the FP6 audit strategy can be summarised as follows:

- The quantitative audit targets have been largely achieved.
- The audit coverage is 66% of the budget. The latter has been achieved by a larger number of audit closed, extrapolation of the audit results to non-audited projects/project periods and sharing of audit results across the Research DGs.
- The target of residual error rate below the materiality level of 2% has been met in 2011.

At this point it may be concluded that the FP6 audit strategy is fully implemented. INFSO.S5 will not launch any representative or corrective audits on TOP beneficiaries.

The residual error rate applicable to FP6 cost claim based expenditure dropped in 2011 below the control target of 2%. This confirms the successful implementation of the FP6 audits strategy. The principal purpose of the strategy was to control the residual error at the level of 2%.

The attained error level at the end of 2011 equals 1,9% which is in line with the projections made in the frame of the AAR 2010. In line with the standing instructions for the AAR 2011 on this basis there seems no need to introduce a reservation regarding the legality and regularity of payments against cost claims in FP6.

FP7

The audit strategy for FP7 (2009-2016) was formally adopted on 5 October 2009. The FP7 audit strategy follows the line of the FP6 one and is based on:

- "representative" audits, which will be the basis for the calculation of the representative error rate;
- "corrective" audits, which cover the Top beneficiaries with the objective of "cleaning" the budget from systematic material errors as well as "risky" beneficiaries.

The main targets set by the FP7 Audit strategy are:

- To ensure the cost/effectiveness and coherence of auditing efforts through efficient coordination of the Commission's services in the Research family;
- Achieve a number of quantitative targets - residual error rate below the materiality level (currently 2%) and cleaning of a substantial part of the FP7 budget (up to 50%) from errors of systematic nature;
- Provide feedback on potential corrective actions to the relevant internal procedures of both the Commission and of beneficiaries;
- Improve awareness within the population of research funding beneficiaries of the regulatory framework within which they operate;
- Conduct a substantial number of audits selected on the basis of risk criteria in order to mitigate the risk of fraud;

In 2010 a first, DG INFSO specific, representative sample (MUS including 161 costs statements) has been drawn. Out of this sample 107 representative audits have been initiated by the end of 2011.

In November 2011 the first common audit sample for the Research DGs family has been drawn. The DG INFSO share out of it represents 53 costs statements translated into 48 beneficiaries. As 13 of the selected beneficiaries/projects have already been audited by INFSO.S5 the number of the representative audits to be initiated is 35 (31 contracted with external audit firms and 4 to be carried out with own resources). These are foreseen to be launched in by the end of the first quarter 2012.

As direct consequence of the adoption of a common representative sample's approach INFSO.S5 stopped the launch of the rest of the audits from the representative sample drawn in 2010.

As far as corrective audits are concerned INFSO.S5 has already initiated a set of 234 audits out of which 125 are risk based and the remaining 109 – on TOP beneficiaries.

As far as corrective audits are concerned it should be noted that some of the TOP 200 beneficiaries are also selected in the MUS sample. These together with the corrective strand already cover 119 beneficiaries in TOP 200 (in terms of EC requested funding as of December 31st 2011).

The current implementation status is as follows:

| Category | Revised Target FP7 | Audits closed 31.12.11 | Completion | Audits launched 31.12.11 | Completion |
|----------------|--------------------------|------------------------------|------------|--------------------------------|------------|
| Total | 800 | 211 | 26% | 341 | 43% |
| Representative | 260* | 98 | 38% | 107 | 41% |
| Corrective | 540 | 113 | 21% | 234 | 43% |

* inclusive of audits expected within the common audit sample for representative audits

Risk-based audits

Quantitative analysis of errors

FP6

The FP6 audit strategy, agreed amongst the Research DGs, defines the methodology according to which the "representative" error rate is computed.

The "representative" error rate is calculated by dividing the adjustments in favour of the EC at funding level (difference between eligible funding after audit and funding accepted before audit whenever in favour of the Commission) by the audited accepted funding. Only audit results relating to the MUS representative audits and on TOP100 beneficiaries are taken into account. Risk-based audits and follow-up audits are excluded from the calculation.

The resulting detected error rate for DG INFSO in 2011, which is based on 13 audits, equals 3,61%. **The aggregate detected error rate for the whole period of FP6 is 3,94%.**

FP7

For FP7 the agreed upon by the RDG family audit strategy defines a different, more statistically representative, methodology for calculation of the error rate. The representative error rate will be computed only by taking into account audit results on the costs statements included in the MUS samples. The relevant formula for computing the representative error rate (or also referred to as most likely error rate (MLE)) is as follows:

$$MLE\% = \frac{\sum_{i=1}^n err_i * SI_i}{P}$$

Where:

n = the sample size

err_i = the error rate (in %) at funding level detected on individual transactions from the MUS sample where only errors relating to overpayments are counted

SI_i = the sampling interval used for selecting transactions from the MUS sample

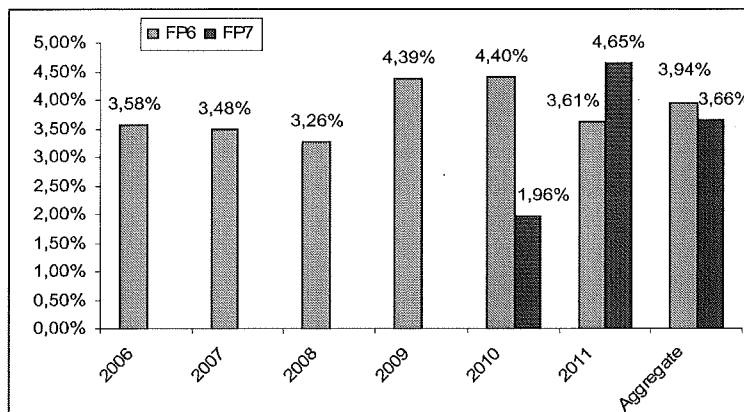
P = the population in EUR from which the MUS sample has been drawn

The principal difference of this methodology compared to the one used in FP6 is that the audit adjustments are not weighted by the amount of the funding audited.

The resulting detected error rate following the above formula for DG INFSO in 2011, which is based on 70 costs statements, equals 5,99%. **The aggregate FP7 detected error rate for the whole period till 31.12.2011 is 5,46%.**

However, in order to be able to follow the evolution of the representative error rate on a common basis the one for FP7 has been also recalculated following the FP6 methodology. The result from the MUS audits closed in 2011 shows an error rate of 4.65% where the cumulative one as of 31.12.2011 is 3,66%.

Error Rate (FP7 calculated conforming to FP6 strategy)



By the implementation of the audit adjustments (directly and by extrapolation) the budget is to a certain extent "cleaned". The impact of the ex-post controls is estimated by calculating the "residual" error rate, which is the level of error undetected and uncorrected.

The residual error rate is particularly impacted by the implementation of audit adjustments in the population of the TOP beneficiaries, because these beneficiaries have the highest budget and the leverage effect of the correction of systematic errors through extrapolation has the highest impact.

The formula to calculate the residual error rate provides an estimation of the effect of the correction of errors in audited amounts, and of systematic errors on the non-audited amounts of audited beneficiaries. In other words, it shows how much error is left in the auditable population after the impact of ex-post controls. The formula is common for both Framework Programmes.

$$ResER\% = \frac{(RepER\% * (P - A)) - (RepERSys\% * E)}{P}$$

Where:

ResER% = residual error rate, expressed as a percentage.

RepER% = representative error rate, or error rate detected in the representative sample (TOP100+MUS in FP6, MUS only in FP7)

RepERSys% = systematic portion of the RepER% (the RepER% is composed of complementary portions reflecting the proportion of systematic and non-systematic errors detected). Expressed as a percentage.

P = total EU contribution in Euros of the auditable population as budgeted amounts at the level of participations in FP6. In FP7 the P represents the requested EU contribution until the moment when the representative error rate is calculated.

A = value of the EU contribution of all audited amounts, expressed in Euros.

E = total non-audited amounts in Euro of all audited beneficiaries as budgeted amounts at the level of participations in FP6. In FP7 the E represents the total non-audited amounts of all audited beneficiaries – this will consist of the total EC share, expressed in EUR, of all non-audited received costs statements for all audited beneficiaries. This comprises entities for which an audit was carried out either by DG INFSO or by the other Research DGs. It relates either to the ones for which extrapolation has been finalised (revised costs claimed received) in the presence of detected systematic errors, or the ones for which no extrapolation has been launched in the absence of detected systematic errors.

On basis of the closed audits in FP6 the portion of **the detected error rate of 3,94% which is considered as systematic error is 2,91 %, the non systematic portion being 1,03%**. These figures are used as assumption of the error rates occurring in the non-audited population.

The residual error rate for FP6 calculated according to this formula is 1,91%.

For FP7 and conforming to the methodology adopted in the FP7 audit strategy **the split of the residual error rate into systematic and non systematic part is respectively 2,50 % (systematic) and 2,96% (non-systematic)**. In order to be able to have a comparable basis, the FP7 systematic error was calculated conforming to the FP6 rules. In this case, **the systematic part represents 1.68 % with respectively 1.98% of non systematic error.**

The residual error rate for FP7 is currently 4,31% (and 2,89 % calculated conforming to the FP6 methodology)

The FP6 audit coverage has vastly surpassed the objectives. Overall 11,2% of DG INFSO's budget has been audited directly. Furthermore, the impact of extrapolation has enlarged the impact of the audits to 66% of the budget.

In FP7 as of 31.12.2011 the share of the directly audited requested contribution amounts to 4,3 %. When extrapolation effect is taken into account together with audits on DG INFSO' beneficiaries by other RDGs the coverage increases to 40,8%.

Qualitative Analysis of Errors

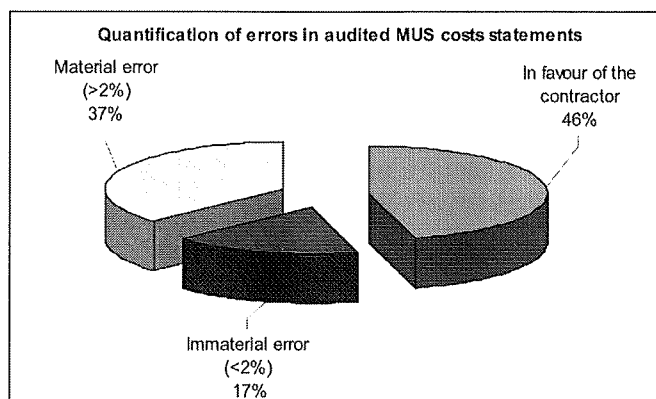
Main type of errors in representative audits

FP6

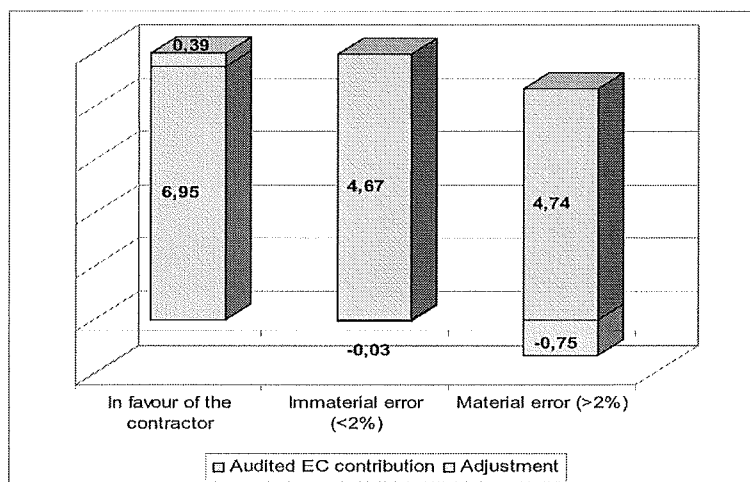
- Based on 12 audits closed in 2011 (excluding risk-based and follow-up audits) comprising 26 projects
- Audited EC contribution: 20,6 MEUR

FP7

- Based on 70 MUS costs statements for which audits were closed in 2011;
- Audited EC contribution: 16,4 MEUR



FP7 Audited EC contribution and audit adjustments (in MEUR)



For risk-based audits, efforts will continue or even expand on FP7. The continued effort on risk-based audits allows attaining a corrective/dissuasive effect and consequently obtaining additional and relevant impact.

Implementation of audit results

In 2011 INFOS.S5 continued to focus its effort on close monitoring of the implementation of the audit results as well as on providing active support to the operational services regarding all aspects of the implementing process.

To that effect the collaboration with the "ex-post audit correspondents" in the IST Directorates (EPAC-Network) continued to be of importance. The main purpose of this function is to complement the external audit function with regard to the planning and preparation of external financial audits and to ensure the implementation and extrapolation of audit results by the respective directorate.

The relating ex-post correspondent network met on a monthly basis to discuss working methods as well as the progress in the implementation of audit results.

The implementation of audit results for FP6 is handled according to the existent guidelines which have been developed and approved by the ICT Directors and the AFUs. The FP7 implementation guidelines are in process of completion where harmonization of the procedures with the approaches taken by the other RDGs is specifically looked for.

A summary of the implementation of the external audit results in DG INFOS as of 31.12.2011 can be found in Table I.

In qualitative terms it is pointed out that as of 31.12.2011 all audits adjustments related to audits closed in 2010 and prior which are not subject to contestations have been implemented.

In quantitative terms the audit work conducted by S5 resulted in 2011 in financial adjustments equal to € Mio 21. Roughly € Mio 13 of this amount are direct outflow of financial audits, € Mio 8 were recovered in the context of extrapolation procedures. This amount compares favourable to the amounts implements in previous years (€ Mio 20 in 2010 and € Mio 17 in 2009).

Extrapolation of audit results

Extrapolation is a corner stone in the FP6 and FP7 audit strategies as only on the basis of systematic application of audit results to non-audited projects/periods an audit coverage in the order of 50% can be attained. It is recalled that in FP6 roughly 11% of the FP6 budget were actually subject to audit and that by extrapolation of the audit results to non-audited projects an audit coverage equal to 66% was attained. This amplification of the audit impact is instrumental in order to control the level of residual error at the 2% materiality level.

In application of the audit strategy, extrapolation of audit findings takes place if the errors detected are of a systematic nature.

In 2011, 12 FP6 contractors and 21 FP7 beneficiaries were requested to perform extrapolation relating to audits conducted by DG INFSO. Further, 25 FP6 and 62 FP7 beneficiaries were required to perform extrapolation following audits performed by the other Research DGs.

The extrapolation of audit findings is decided by a committee composed of representatives of the Research DGs (Extrapolation Steering Committee) which was set up to ensure that systematic findings are handled in the same manner. The ESC meets on a monthly basis. Given the complexity of the exercise, a common IT tool (SAR-EAR) has been developed which complements DG INFSO own local IT Tool WebARPS.

As of 31.12.2011, 437 extrapolation procedures were launched concerning FP6 contractors. 97 of those were initiated by DG INFSO, 340 by other RDGs. The number of extrapolation cases concerning FP7 equals 123, of which 29 were initiated by INFSO and the rest by other RDGs.

Cooperation with OLAF

Outlook on 2012

In 2012 S5 will continue in line with the unit's mission to mitigate the risks regarding the legality and regularity of payments against cost claims. To this effect the following priorities will be followed:

- In view of the importance of controlling the error rate at the materiality level of 2% the focus will be placed on the timely implementation of the FP7 audit strategy. A substantial number of "representative" and corrective audits has already been launched. In parallel, substantial efforts will be dedicated to risk-based audits in order to mitigate the risk of intentional over-claims.
- An audit strategy regarding the non-research area will be presented for management adoption in order to systematically address this area which in financial terms is becoming increasingly important regarding the DGs expenditure. The principal approach being to optimise the available resources by limiting the number of audits conducted to obtain meaningful error rates and concentrating the audit effort on areas with specific risks to the legality and regularity of cost claims.
- S5 will maintain the high level of support dedicated to the follow-up of audit work.
- S5 will continue to drive and promote the DG INFSO anti-fraud strategy which aims to sensibilise the organisation to regarding the detection and prevention of fraud and irregularities.
-
- In view of the request obtained from operational services S5 will intensify the support regarding the treatment of CFS.

One of the main challenges in this context will be to strike the right balance between a low-tolerance approach towards organisations which deliberately over-declare costs and take advantage of the funding programmes in a non-acceptable manner and the vast majority of beneficiaries who are well intended and sincerely participate in the DGs research programmes.

Feed-back obtained from beneficiaries indicates full sympathy and support regarding the low-tolerance policy towards deliberate over-chargers.

Unit S5 equally will attempt to prepare the organisation to handle "exceptions", i.e. organisations which are identified as atypical in terms of size compared to funding, past experiences, ownership etc. with improved efficiency.

Conclusion

S5 performed remarkably well. The working programme was fully implemented and all quantitative targets were attained.

Specific achievements were:

- The successful implementation of the FP6 audit strategy which lowered the residual error rate below the control target of 2% and consequently confirmed compliance with the principles of sound financial management.
-
- The substantial financial impacts of the ex-post activities. The adjustments performed in 2011 equal Mio € 21 (inclusive of Mio € 8 related to extrapolation exercises).

Summary of implementation of the external audit results in DG INFSO (as of 31.12.2011)

Implementation of the ex-post audit results for FP7

| Year | Audit activity | | Results in favour of the EC | | Open for implementation | | Implemented (registered in contract management system) | | | | | | TOTAL (in terms of participations) | |
|-------|-----------------|--------------------------|-----------------------------|--------------------|-------------------------|-----------|--|-----------|------------|---------|---|-------|------------------------------------|-------------|
| | | | | | | | Offset from payment | | Recoveries | | Waived (amounts below materiality criteria) | | Open | Implemented |
| | # audits closed | # participations audited | # participations | Adjustments in EUR | # | EUR | # | EUR | # | EUR | # | EUR | | |
| 2011 | 113 | 257 | 142 | 3.156.525 | 57 | 1.331.000 | 70 | 1.475.494 | 15 | 350.031 | 0 | - | 40% | 60% |
| 2010 | 90 | 208 | 121 | 1.612.251 | 11 | 82.628 | 95 | 1.357.550 | 8 | 164.449 | 7 | 7.623 | 9% | 91% |
| 2009 | 6 | 9 | 1 | 23.607 | 0 | - | 1 | 23.607 | 0 | - | 0 | - | 0% | 100% |
| TOTAL | 209 | 474 | 264 | 4.792.383 | 68 | 1.413.628 | 166 | 2.856.651 | 23 | 514.480 | 7 | 7.623 | 26% | 74% |

Implementation of the ex-post audit results for FP6

| Year | Audit activity | | Results in favour of the EC | | Open for implementation | | Implemented (registered in contract management system) | | | | | | TOTAL (in terms of participations) | |
|-------|-----------------|--------------------------|-----------------------------|--------------------|-------------------------|-----------|--|------------|------------|------------|---|---------|------------------------------------|-------------|
| | | | | | | | Offset from payment | | Recoveries | | Waived (amounts below materiality criteria) | | Open | Implemented |
| | # audits closed | # participations audited | # participations | Adjustments in EUR | # | EUR | # | EUR | # | EUR | # | EUR | | |
| 2011 | 58 | 116 | 95 | 10.754.276 | 30 | 2.708.575 | 17 | 2.028.453 | 48 | 6.017.248 | 0 | - | 32% | 68% |
| 2010 | 74 | 171 | 120 | 5.379.310 | 15 | 40.009 | 38 | 2.227.427 | 66 | 3.111.874 | 0 | - | 13% | 87% |
| 2009 | 180 | 418 | 307 | 17.614.761 | 6 | 389.463 | 126 | 7.914.090 | 133 | 9.243.550 | 42 | 67.657 | 2% | 98% |
| 2008 | 156 | 320 | 171 | 4.191.311 | 3 | 214.521 | 83 | 1.409.415 | 50 | 2.520.805 | 35 | 46.570 | 2% | 98% |
| 2007 | 54 | 128 | 85 | 1.516.196 | 0 | - | 52 | 979.143 | 17 | 485.020 | 16 | 52.033 | 0% | 100% |
| 2006 | 6 | 6 | 3 | 54.684 | 0 | - | 2 | 869 | 1 | 53.815 | 0 | - | 0% | 100% |
| TOTAL | 528 | 1159 | 781 | 39.510.538 | 54 | 3.352.568 | 318 | 14.559.397 | 315 | 21.432.312 | 93 | 166.260 | 7% | 93% |

NB: the EUR amounts considered in the statistics are based on theoretical calculations to translate cost adjustments into funding adjustments. Real amounts implemented might differ due to budget constraints but are only known later in the recovery process cycle

DG INFSO - IAC's opinion on the state of control

Note: This opinion on the state of control is provided as a contribution to the preparation of the 2011 AAR. It does not constitute an opinion on the AAR process in general or on the document itself.

Opinion on state of control

I believe that:

Based on the results of our audits as described in the objectives and scope of the engagements carried out by the IAC of DG INFSO during 2011, the internal control system in place in DG INFSO **provides reasonable² assurance** regarding the achievement of the business objectives set up for the processes audited, **except for** the following issues:

Audit on ICS 11 Document Management

- The auditors have observed during the audit that there is no full coherence among units on the kind of documents effectively registered; (i) titles of documents in ARES sometimes also contain mistakes or are not complete; (ii) using markings in ARES with an expiry date is not a common practice; (iii) available ARES training courses and guidance in DG INFSO are mostly IT oriented, a more conceptual/contextual part is missing. Those practices hinder the retrieval of documents in ARES or even make it impossible and therefore may have a high impact on the efficiency of DG INFSO staff. The auditors recommend setting up trainings and guidelines, reflecting DG INFSO specificities, in order to improve the quality of ARES registrations and markings.
- The audit also reflected that (i) files are managed by individual units that are "chef de file" and no common vision (logic) is applied to filing plans, in particular as regards procurement files; (ii) files are poorly managed in ARES (e.g. some files are not used, other files are not closed in due time); (iii) some documents created by DG INFSO are not registered and/or filed, therefore they are deleted from ARES after a certain time; (iv) other documents received from other DGs are not filed by DG INFSO, therefore they are accessible only to the recipient; (v) some files are not complete. As a consequence of the above, documents may be lost and/or not accessible anymore. The impact on the quality and efficiency of DG INFSO staff activities may be high and therefore the auditors recommend improving the management of DG INFSO filing plan, in order to guarantee its coherence and logic as well as drafting guidelines on filing (procurement) documents.

² Even an effective internal control system, no matter how well designed and operated, has inherent limitations – including the possibility of the circumvention or overriding of controls – and therefore can provide only *reasonable assurance* to management regarding the achievement of the business objectives and not *absolute assurance*.

- Document management in DG INFSO is decentralised. Many changes have occurred since decentralisation was decided e.g. using ARES, development of participants' portal, and decrease of the paper documents' storage simultaneously to increase of documents scanned. The auditors propose therefore to nominate a task force to assess pros and cons of centralised vs. decentralised document management in DG INFSO and to present the results to the Director General.

Audit on Policy Design and Implementation

- The auditors have noted the drop in the implementation rate of the new policy actions launched in 2011. While in past years around 50% to 60% of the new actions were implemented in the same year, which represents already a low rate, in 2011 only 43% of new actions were implemented. There is a risk of reliability of the work-programme and credibility for DG INFSO. The auditors recommend addressing the identified root causes for lower work-programme implementation, in order to improve its reliability and the credibility of DG INFSO.

Audit on the Effective Use of Studies

- The auditors have noted that new studies are included in the study cycle during the year, and they are neither approved by the Management team, nor communicated to the Cabinet, while the other studies are. This implies a risk of not proper management supervision of the process. The auditors recommend setting up a procedure, agreed by the Management Team, explaining how requests for additional studies, received after the initial plan is approved, will be treated.
- The auditors have observed that there is no ex-post reporting on the expected exploitation of the results of studies. Effective achievement of the objectives of the studies is not measured and therefore not assessed. Therefore there is a risk of non-attaining the expected exploitation of the results of studies, and this not being reported to the management. The auditors recommend monitoring and ex-post reporting on the use of studies, based on SMART indicators included in the study request, at least for certain categories of studies.

Audit on Human Resources

- The auditors expressed a satisfactory opinion. However, I consider that recommendation 5 on Research vs. Operating budget, which was not accepted, merits particular attention and follow-up.

The above observations are the result of the audit work performed, which is documented in the IT tool Audit Management System (GRC). Such audit work included mainly reviews of the system documentation, interviews with key personnel, flowcharts or narratives of the processes, description of the internal control systems, risk assessments, design and performance of test (compliance testing of controls and substantive testing, including surveys) and meetings to discuss the Observations and Recommendations Matrix ("Observations table").

Basis for the opinion on the state of control

The above opinion is provided as a contribution to the preparation of the 2011 Annual Activity Report as required by SEC(2003)59³. It is based on the individual audit opinions arising from assurance work carried out in 2011 and for which at least a draft report has been issued in 2011. These assignments were specified in the IAC Annual Audit Plan and approved by the Director-General on 18th February 2011.

Other comments

In addition to the opinion given above, and taking into account the coverage of the activities and processes in DG INFSO, I declare that I am not aware of anything not reported here which may constitute a major weakness in the internal control system or may lead to a potential reservation in the AAR, except for the final residual error rate observed by ex-post controls in Framework Programmes (errors in ICT cost claims), which will be higher than the control objective for FP7.

As regards the adequacy of the internal control system in place, however, the following issues should be duly taken into account:

- The results of the follow-up audits show two very important accepted recommendations, which however have not been fully and effectively implemented yet. The first one refers to the use of iflow for appointment letters⁴, with original deadline 2010/2011 and new deadline September 2012. The second one is to agree among INFSO services on appropriate software to detect plagiarism⁵ (original deadline 12/2010 and new deadline May 2012).
- Recommendations coming from the reports issued by the IAS.

Fernando Sendra Palmer
Head of Unit 01 (IAC)

³ Communication to the Commission: Clarification of the responsibilities of the key actors in the domain of internal audit and internal control in the Commission, 21 January 2003.

⁴ Audit on Procurement including appointment letters.

⁵ Audit on project reviews FP7.

**State of play on European Ombudsman files
Status overview**

DG INFSO "Chef de file"

| Name of the complaint | Date of reception of the complaint | Subject and ----- Background | Steps taken | Next steps |
|-----------------------|------------------------------------|---|---|-------------------------|
| N° 2011/1656 | | <u>Allegations</u> The Commission wrongly and unlawfully considered parts of the salaries of the complainant's two CEOs charged to the projects to be remuneration for management and administrative activities. In the alternative, by applying a 20% flat rate to the two CEOs' salaries, the Commission wrongly and unreasonably calculated the amount of costs it considers to relate to | Deadline to submit opinion: 31 December 2011 Reply transmitted to EO on 13.12.2011 | Waiting for EO decision |

- - cases; events or actions before January 2011
- - cases; events or actions during the reporting period 1 January 2011 – 30 June 2011
- - cases; events or actions during the reporting period 30 June – 31 December 2011
- - new cases; events or actions during the reporting period 1 December – 23 February 2012

State of play on European Ombudsman files
Status overview

| | | | | |
|--|--|---|--|--|
| | | <p>management and administrative activities.</p> <p>The Commission wrongly considered the hours worked by the complainant's two CEOs in the framework of the project, a project not funded by the Commission, to have been remunerated by means of the CEOs' salaries charged to the Commission-funded projects.</p> <p><u>Claims</u></p> <p>The Commission should recognise as eligible costs those parts of the salaries of the complainant's two CEOs if currently considers to be remuneration for management and administrative activities. In the alternative the Commission should correct its calculation of these costs.</p> <p>The Commission should refrain from considering the hours worked by the complainant's two CEOs on</p> | | |
|--|--|---|--|--|

■ - cases; events or actions before January 2011

■ - cases; events or actions during the reporting period 1 January 2011 – 30 June 2011

■ - cases; events or actions during the reporting period 30 June – 31 December 2011

■ - new cases; events or actions during the reporting period 1 December – 23 February 2012

State of play on European Ombudsman files
Status overview

| | | | | |
|--|--|---|--|--|
| | | the project as having been remunerated by the salaries charged to the projects and should accordingly correct the applicable hourly fees. | | |
|--|--|---|--|--|

■ - cases; events or actions before January 2011

■ - cases; events or actions during the reporting period 1 January 2011 – 30 June 2011

■ - cases; events or actions during the reporting period 30 June – 31 December 2011

■ - new cases; events or actions during the reporting period 1 December – 23 February 2012

**State of play on European Ombudsman files
Status overview**

| | | | | |
|--|--|---|---|--------------------------------|
| <p align="center">N° 2011/1363</p> | | <p><u>Allegations</u></p> <p>The Commission failed to pay the complainant EUR 40,829 for the technical services it provided</p> <p><u>Claims</u></p> <p>The Commission should pay the complainant EUR 40, 829</p> | <p>Reply prepared by S4 (Audrey)</p> <p>Deadline: 30 November 2011</p> <p>Reply transmitted to EO on 16.12.2011</p> | <p>Waiting for EO Decision</p> |
|--|--|---|---|--------------------------------|

■ - cases; events or actions before January 2011

■ - cases; events or actions during the reporting period 1 January 2011 – 30 June 2011

■ - cases; events or actions during the reporting period 30 June – 31 December 2011

■ - new cases; events or actions during the reporting period 1 December – 23 February 2012

**State of play on European Ombudsman files
Status overview**

| | | | | |
|--|---|---|--|--------------------------------|
| <p align="center">N° 2011/286</p> | <p align="center">15.04.2011</p> | <p>Audit/Financial Guidelines/Extrapolation</p> <hr/> <p><u>Allegations:</u></p> <p>The Commission failed to reply to the complainant's argument that the audit wrongly applied the 2010 Financial Guidelines retroactively, instead of the 2007 Financial Guidelines, which were in force at the time when the two grant agreements were negotiated.</p> <p>The Commission acted unfairly by failing to respect the complainant's right to be heard in relation to the audits findings</p> <p>The Commission failed to respect the principle of sincere cooperation and mutual trust because it (i) used the principle of extrapolation, which is not provided for in the Financial Guidelines and (ii) failed properly to monitor the</p> | <p>Draft reply prepared by S4 in cooperation with Dir S2 during the month of May and June 2011.</p> <p>Agreement SG obtained on 18/07/2011</p> <p>Agreement Kroes obtained on 20/07/2011</p> <p>Agreement of SJ obtained on 18/07/2011</p> <p>Final reply with Annexes sent to EO on 08/08/2011</p> <p>Reply transmitted to EO on 24.10.2011</p> | <p>Waiting for EO decision</p> |
|--|---|---|--|--------------------------------|

■ - cases; events or actions before January 2011

■ - cases; events or actions during the reporting period 1 January 2011 – 30 June 2011

■ - cases; events or actions during the reporting period 30 June – 31 December 2011

■ - new cases; events or actions during the reporting period 1 December – 23 February 2012

State of play on European Ombudsman files
Status overview

| | | | | |
|--|--|--|--|--|
| | | <p>implementation of the two projects and to ask for clarifications at the time when the complainant submitted its cost statements</p> <p>The Commission abused its power by implementing an audit policy which is not tailored to the structure and needs of SMEs.</p> <p><u>Claims</u></p> <p>The EC should grant the complaint the right to be heard and to challenge the findings of the audit report</p> <p>The EC should apply Financial Guidelines and adjust the conclusions of the audit report accordingly</p> <p>The EC should not apply the principle of extrapolation and should adopt an attitude of cooperation and trust towards the complainant.</p> | | |
|--|--|--|--|--|

■ - cases; events or actions before January 2011

■ - cases; events or actions during the reporting period 1 January 2011 – 30 June 2011

■ - cases; events or actions during the reporting period 30 June – 31 December 2011

■ - new cases; events or actions during the reporting period 1 December – 23 February 2012

**State of play on European Ombudsman files
Status overview**

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|-------------|------------|--|---|---|
| N° 2011/290 | 14.03.2011 | <p><u>Suspended payments</u></p> <p><u>Allegations</u></p> <p>The complainant alleges that the EC suspended payments in the framework of its Grant Agreement without informing it of valid and adequate justifications for doing so</p> <p><u>Claims</u></p> <p>The EC should either now make the payments that it suspended, or provide valid and adequate justifications for not doing so</p> | <p>Draft reply prepared by S4 in cooperation with Dir X (Unit XX)</p> <p>Draft reply submitted for Dir S approval on: 19.05.2011. (Approval received on 20.05.2011)</p> <p>ISC has been started on 24.06.2011</p> <p>Extension of the Ombudsman's deadline for answer: 31.07.2011</p> <p>Agreement with annotations received from BUDG on 01/07/2011</p> <p>Agreement from SJ received on 11/07/2011</p> <p>Agreement from SG received on 11/07/2011</p> <p>Agreement from KROES received on 20/07/2011</p> | <ul style="list-style-type: none"> • Waiting for EO decision |
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■ - cases; events or actions before January 2011

■ - cases; events or actions during the reporting period 1 January 2011 – 30 June 2011

■ - cases; events or actions during the reporting period 30 June – 31 December 2011

■ - new cases; events or actions during the reporting period 1 December – 23 February 2012

**State of play on European Ombudsman files
Status overview**

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| | | | Reply transmitted to EO on 08/08/2011 | |
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| N° 2011/995 | 06.06.2011 | Infringement complaint | <p>Draft reply prepared by S4 in cooperation with Dir B (Unit B2).</p> <p>Deadline extended to 30/09/2011</p> <p>Agreement from SG.B5 on 27/07/2011</p> <p>Agreement with annotations received from SG on 27/07/2011. SG.C4 wanted to have annexes 3 and 4 eliminated from the reply</p> | Waiting for EO decision |
| | | <p><u>Allegations</u></p> <p>The EC failed properly to handle the complainant's infringement complaint of 19 February 2010. The EC failed properly to reason its decision in this regard, in particular by failing to comment on the arguments raised in his letter dated 2 February 2011</p> <p><u>Claims</u></p> | | |

- - cases; events or actions before January 2011
- - cases; events or actions during the reporting period 1 January 2011 – 30 June 2011
- - cases; events or actions during the reporting period 30 June – 31 December 2011
- - new cases; events or actions during the reporting period 1 December – 23 February 2012

State of play on European Ombudsman files
Status overview

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| | | <p>The EC should either commence infringement proceedings against or provide sufficient reasons for its decision not to do so.</p> | <p>Agreement with annotations from SG.G3 on 05/09/2011</p> <p>Agreement SJ on 05/09/2011</p> <p>Agreement Kroes 28/09/2011</p> <p>Final reply with apology note sent via ordinary email (Mediateur2 did not work) on 05/10/2011 to SG OMBUDSMAN.</p> <p>Reply transmitted to EO on 24.10.2011</p> | |
| <p>N° 2010/2560</p> | <p>30.11.2010</p> | <p><u>Allegations:</u></p> <p>failed to reply to the complainant's message of 28 September 2010</p> <p><u>Claim:</u></p> <p>should reply no the</p> | <p>Response sent on 14.03.2011 by email:</p> <p>1. the Commission replied on 13 October 2010 to the complainant's email informing him that after careful examination of his appeal, the Selection Committee has decided to maintain its previous decision i.e. not to include him in the list of eligible candidates 2. All the letters to the</p> | <p>Closing decision on the 22.08.2011. No further inquiries are justified.</p> |

- - cases; events or actions before January 2011
- - cases; events or actions during the reporting period 1 January 2011 – 30 June 2011
- - cases; events or actions during the reporting period 30 June – 31 December 2011
- - new cases; events or actions during the reporting period 1 December – 23 February 2012

**State of play on European Ombudsman files
Status overview**

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| | | complainants 28.04.2010 | message of | <p>candidates are sent and signed by the Secretary of the Selection Committee, who only communicates decisions on behalf of the Selection Committee (as indicated in all the letters to the candidates). Furthermore, the Commission wants to point out that the Secretary of the Selection Committee is a staff member of DG INFSO (parent DG of), who is in charge of assisting the Selection Committee in managing the selection procedure and is the contact person for the candidates.</p> | |
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■ - cases; events or actions before January 2011

■ - cases; events or actions during the reporting period 1 January 2011 – 30 June 2011

■ - cases; events or actions during the reporting period 30 June – 31 December 2011

■ - new cases; events or actions during the reporting period 1 December – 23 February 2012

**State of play on European Ombudsman files
Status overview**

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■ - cases; events or actions before January 2011

■ - cases; events or actions during the reporting period 1 January 2011 – 30 June 2011

■ - cases; events or actions during the reporting period 30 June – 31 December 2011

■ - new cases; events or actions during the reporting period 1 December – 23 February 2012

State of play on European Ombudsman files
Status overview

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| <p style="text-align: center;">N° 2938/2009/GIS/IP</p> | <p style="text-align: center;">10.05.2010</p> | <p>Access to documents</p> <p>The complainant relates to the Commission's handling of an infringement complaint against the authorities, which the complainant submitted to the EC in 1 April 2008 (complaint 2008/4516) and a request for access to documents, which the complainant submitted on 3 March 2009.</p> <p><u>Allegations:</u></p> <p>The EC failed to deal with the complainant's confirmatory application for access to documents and argues that the EC service, which received it, ought to have passed his complaint to the Commission service competent, namely SG.</p> <p>The EC failed to reply to the complainant's letter of 15 July 2009.</p> | <p>On 08.06.2010 SG sent a holding reply to the complainant (Deadline 29.06.2010). ISC was started on 22.06.2010 (Draft reply prepared by DG INFSO). 2nd holding reply sent to the complainant on 29.06.2010.</p> <p>SG sent the final reply to the complainant on 09.07.2010 – Decision of 09.07.2010. Request for LS approval on: 02.07.2010. (Reply required before 16.07.2010)</p> <p>On 09.07.2010 SG sent to the complainant a reply to his confirmatory application.</p> <p>Request for Cabinet agreement on 12.07.2010 (Reply required before 19.07.2010)</p> <p>On 26.07.2010 Cabinet agreement received</p> <p>Commission's reply to be sent to the Ombudsman by 31.07.2010</p> <p>Commission's reply sent to the Ombudsman on: 06.08.2010</p> <p>The translated in Italian reply sent on:</p> | <ul style="list-style-type: none"> • Waiting for EO decision |
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■ - cases; events or actions before January 2011

■ - cases; events or actions during the reporting period 1 January 2011 – 30 June 2011

■ - cases; events or actions during the reporting period 30 June – 31 December 2011

■ - new cases; events or actions during the reporting period 1 December – 23 February 2012

**State of play on European Ombudsman files
Status overview**

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| | | <p><u>Claims:</u></p> <p>The EC has to respond to his confirmatory application.</p> <p>The EC has to inform him about its examination of his letter dated 15 July 2009, and its corresponding conclusions.</p> | 18.08.2010 | |
| N° 3065/2009/JF | 18.02.2010 | <p>Audit/Recovery</p> <p>-----</p> <p><u>Allegations:</u></p> <p>The EC failed to explain why the assessment made by its auditor should prevail over the assessment made by complainant's "Commissaire aux comptes".</p> <p>The EC's plans to conduct further audits into the complainant's activities are motivated by revenge</p> | <p>Commission's reply sent to the Ombudsman on: 30.06.2010</p> <p>European Ombudsman's closing decision on 20.02.2011: no maladministration by the Commission has found:</p> <p>(a) The contradictory procedure applied to the Audit was compatible with the relevant rules and the reasons why the Commission trusted the Auditor's</p> | Closing decision with no maladministration. Date: 28.02.2011 |

- - cases; events or actions before January 2011
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State of play on European Ombudsman files
Status overview

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| | | <p>for its having complained to the EO in 2007, and are thus unjustified.</p> <p><u>Claims:</u></p> <p>EC should recognize the above, repay to him EUR 73 619 recovered on the basis of the 2007 audit and abandon its intention to conduct further audits into the complainant's activities.</p> | <p>assessment were sufficiently explained.</p> <p>(b) In the absence of any additional supporting evidence, the facts of the present case do not allow the Ombudsman even to suspect that this might have been the case.</p> | |
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■ - cases; events or actions before January 2011

■ - cases; events or actions during the reporting period 1 January 2011 – 30 June 2011

■ - cases; events or actions during the reporting period 30 June – 31 December 2011

■ - new cases; events or actions during the reporting period 1 December – 23 February 2012

**State of play on European Ombudsman files
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■ - cases; events or actions before January 2011

■ - cases; events or actions during the reporting period 1 January 2011 – 30 June 2011

■ - cases; events or actions during the reporting period 30 June – 31 December 2011

■ - new cases; events or actions during the reporting period 1 December – 23 February 2012

**State of play on European Ombudsman files
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■ - cases; events or actions before January 2011

■ - cases; events or actions during the reporting period 1 January 2011 – 30 June 2011

■ - cases; events or actions during the reporting period 30 June – 31 December 2011

■ - new cases; events or actions during the reporting period 1 December – 23 February 2012

**State of play on European Ombudsman files
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| N° 2008/3373 | 22.12.2008 | Audit/Recovery <hr/> The complaint relates to the earlier complaint 2008/2291 which was closed with no follow-up by the Ombudsman. <u>Allegations:</u> The EC acted unfairly by not accepting the complainant's costs related to salaries it paid to Moscow employees. | Commission's opinion sent to the Ombudsman: 15.05.2009 Proposal of the European Ombudsman for a friendly solution: 19.10.2009 Reply sent by DG INFSO via empowerment procedure: 02.12.2009 Commission's reply sent to the Ombudsman: 15.01.2010 On 20.09.2010 EO sent to the Commission a draft recommendation: The Commission could consider waiving the | Closing decision on the 30.01.2012 with the following critical remark (maladministration): "The Commission's recovery from of the amounts corresponding to the 'Overheads' for the three projects is disproportionate and unfair. This constitutes an instance of maladministration." |
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- - cases; events or actions before January 2011
- - cases; events or actions during the reporting period 1 January 2011 – 30 June 2011
- - cases; events or actions during the reporting period 30 June – 31 December 2011
- - new cases; events or actions during the reporting period 1 December – 23 February 2012

State of play on European Ombudsman files
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| | | <p>The EC unilaterally changed contracts by transferring funds from different budget lines.</p> <p>The EC failed to reply in substance (and not only formally) to his letter of 13.08.2008.</p> <p><u>Claim:</u> the EC should waive the recovery of the "Overheads".</p> | <p>recovery from of the amounts corresponding to the "Overheads" for the three projects - and invited the Commission to send its detailed opinion by 31.12.2010</p> <p>On 20.10.2010 Ombudsman's press release No 20/2010</p> <p>On 20.10.2010 – The Commission's LTT.</p> <p>On 22.11.2010 – DG INFSO Note to the Cabinet consisting of proposal for accepting the EO draft recommendation.</p> <p>On 03.12.2010– Cabinet response to the Note, manifesting its disagreement with DG INFSO previously proposal.</p> <p>ISC started on 07.12.2010. Due date for answer -13.12.2010.</p> <p>On 13.12.2010-DG BUDG agreement with annotations.</p> <p>Commission detailed opinion to be sent by 31.12.2010.</p> <p>The reply was transmitted to the EO on 03.02.2011.</p> | |
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■ - cases; events or actions before January 2011

■ - cases; events or actions during the reporting period 1 January 2011 – 30 June 2011

■ - cases; events or actions during the reporting period 30 June – 31 December 2011

■ - new cases; events or actions during the reporting period 1 December – 23 February 2012

State of play on European Ombudsman files
Status overview

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■ - cases; events or actions before January 2011

■ - cases; events or actions during the reporting period 1 January 2011 – 30 June 2011

■ - cases; events or actions during the reporting period 30 June – 31 December 2011

■ - new cases; events or actions during the reporting period 1 December – 23 February 2012

State of play on European Ombudsman files
Status overview

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■ - cases; events or actions before January 2011

■ - cases; events or actions during the reporting period 1 January 2011 – 30 June 2011

■ - cases; events or actions during the reporting period 30 June – 31 December 2011

■ - new cases; events or actions during the reporting period 1 December – 23 February 2012

**State of play on European Ombudsman files
Status overview**

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■ - cases; events or actions before January 2011

■ - cases; events or actions during the reporting period 1 January 2011 – 30 June 2011

■ - cases; events or actions during the reporting period 30 June – 31 December 2011

■ - new cases; events or actions during the reporting period 1 December – 23 February 2012

SYNOPSIS TABLE ON LITIGATION ONGOING AND CLOSED IN 2011 (up to 31.12.2011)

1. ONGOING LITIGATION

Technion vs. Commission (Technion I)

Case : T-480/11

Subject : Action for annulment against decision from the Secretariat General not to grant access to documents

Programme : FP6

Technion vs. Commission (Technion II)

Case : T-546/11

Subject : Technion requests to annul the Commission's "decision" based on the results of the final audit report

Programme : FP6

Amount : EUR 211,227

SYNOPSIS TABLE ON LITIGATION ONGOING AND CLOSED IN 2011 (up to 31.12.2011)

EMA vs. Commission

Case : T-116/11

Subject : Application requesting the Court to declare that EMA has correctly fulfilled its contractual obligations, that the Commission has acted unlawfully by terminating EMA's participation in the projects and that the related recovery order is illegal and consequently to be annulled (+ a request for application of interim measures)

Programme : FP6

Amount : +/- 400.000 EUR

e-Isotis vs. Commission

Case : T-59/11

Subject : Request the Court to declare that the costs claimed for the audited projects are eligible and requests the payment of the outstanding payments to eISOTIS for the audited projects

Programme : FP6 /eTEN/CIP

Amount : The draft pre information letter sets an amount of EUR 643.782,81 + liquidated damages to be calculated

LITO (WiH) vs. Commission

Case : T-552/10

Subject : Action for annulment of the contested debit note issued against LITO (+ request for application of interim measures)

SYNOPSIS TABLE ON LITIGATION ONGOING AND CLOSED IN 2011 (up to 31.12.2011)

Programme : e-TEN

Amount : EUR 83,001.09

Commission vs. EU Research Projects Limited (previously Spectrolab)

Case : T-220/10

Subject : Recovery of EU contribution following non-performance of beneficiary

Programme : FP5

Amount : EUR 102,039.32 + interest

IDIAP vs. Commission

Case : T-286/10

Subject : Contests audit results

Programme : FP6

Amount : No recovery order has yet been issued by the EC at this stage, so the amount challenged (EUR 251 505.76 – maximum value of corrections to be made post-audit) is an estimate used by the plaintiff to justify the application for interim measures (which has been rejected)

ELESIA vs. Commission

Case : T-312/10

SYNOPSIS TABLE ON LITIGATION ONGOING AND CLOSED IN 2011 (up to 31.12.2011)

Subject : Application requesting the Court to declare that the Commission has infringed the provisions of the contract concluded with ELESIA as one of the beneficiaries of the project I-WAY by terminating the company's participation in the project for irregularities and that the related recovery orders are illegal and consequently to be annulled.

Programme : FP6

Amount : EUR 196 000.00

AML vs. Commission

Case : T-387/09

Subject : Request to annul Commission decision on audit results and associated recovery of ineligible costs

Programme : FP5

Amount : EUR 201,333.29 + late payment interest

INSULA vs. Commission

Case : T-246/09

Subject : Request to annul Commission decision to recover ineligible costs following an audit

Programme : FP5

Amount : Annulment of Commission claim for EUR 189,241.64 (INSULA also claims damages of EUR 212,597 or a subordinated claim for compensatory allowances of EUR 230,025)

SYNOPSIS TABLE ON LITIGATION ONGOING AND CLOSED IN 2011 (up to 31.12.2011)

GL2006 vs. Commission

Case : T-435/09

Subject : Application to declare the Commission's on the spot checks, audit reports and final decision to terminate the participation of the company in two ongoing FP6 projects (dated 10.07.2009) and the relative debit notes (dated 07.08.2009) unlawful and null and void (preceded by a request for application of interim measures that was rejected by the Court).

Programme : FP6 (FP5, e-Ten projects were also audited and subject to recovery orders)

Amount : EUR 2,258,456.31

European Dynamics S.A. vs. Commission

Case : C-200/10 P (following court judgment in case T-340/07)

Subject : Request for annulment of Commission decision for to recover ineligible costs following an audit

Programme : e-Content

Amount : EUR 172,588.62

SYNOPSIS TABLE ON LITIGATION ONGOING AND CLOSED IN 2011 (up to 31.12.2011)

2. CLOSED LITIGATION IN 2011

LITO-DICOEMS vs. Commission

Case : T- 353/10

Subject : Action to contest the recovery order issued by the Commission against LITO

Programme : FP6

Amount : EUR 109,415.20

CROSS CZECH vs. Commission

Case : T- 252/10

Subject : Application to contest the audit, the audit results and the announced related administrative consequences (request for application of interim measures)

Programme : FP6

Amount : EUR 447,065

Health Information Management (HIM) vs. Commission

Case : T-316/10

Subject : Contests audit results – Methodology of calculation of general costs (overheads)

SYNOPSIS TABLE ON LITIGATION ONGOING AND CLOSED IN 2011

(up to 31.12.2011)

Programme : eTen

Amount : EUR 11,000

