

# Bi-Annual Management Report DG INFSO

01 July 2010 – 31 December 2010





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# 1. Introduction

This Bi-annual Management Report (BMR) covers the period from 1 July to 31 December 2010 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 2010 and presents only information that is complementary to it.

Several chapters in this BMR include references to the topics discussed at the "Internal Control Coordination Group" (ICC Group<sup>1</sup>), the coordination forum established in order to ensure *inter alia* an effective follow-up to DG INFSO's yearly High Level Risk Assessment (HLRA) exercise. The ICC Group is chaired by the INFSO General Affairs Director and composed of permanent correspondents from all Directorates. A dedicated INFSO.S intranet-page includes all related documents:

[http://intra.infso.cec.eu.int/S/IC\\_coord\\_group/pages/meetings\\_2009.htm](http://intra.infso.cec.eu.int/S/IC_coord_group/pages/meetings_2009.htm)

The Audit, Control and Budgetary Committee was established early 2010 and meets once a month. It is composed of the Director General, the Deputy Directors General, the Internal Control Coordinator (Director S), the Resources Director (Director R) as well as the Heads of the External Audit Unit (O2), the Internal Audit Unit (O1), the Budget and Financial Unit (R2) and the Management Support Unit (S2). Any other INFSO Director and/or Head of Unit may be invited depending on the topics on the agenda. Further details are in chapter 9 on Internal Audit Capability and Related Matters.

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<sup>1</sup> The mandate of the ICC Group is to assist INFSO's Senior Management to effectively prepare, coordinate, monitor and follow up all important internal control related issues of the DG, such as:

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



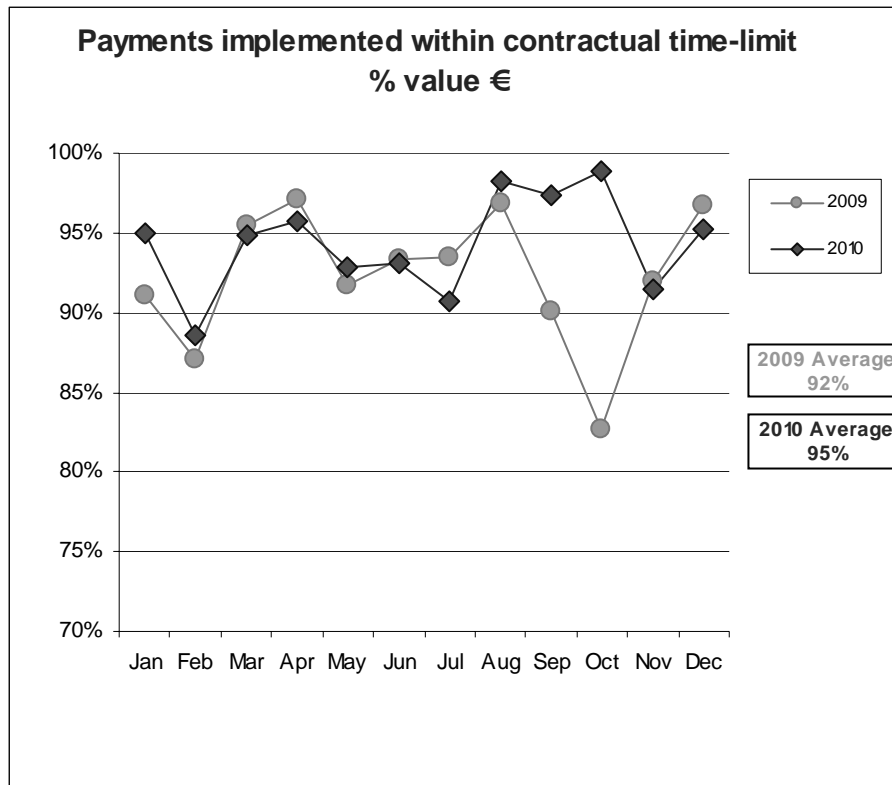
## 2. Implementation of the 2010 Budget

The detailed results of budget implementation on 31.12.10 are documented in the Annual Activity Report 2010 (see Annex III of the AAR 2010) covering the full year 2010.

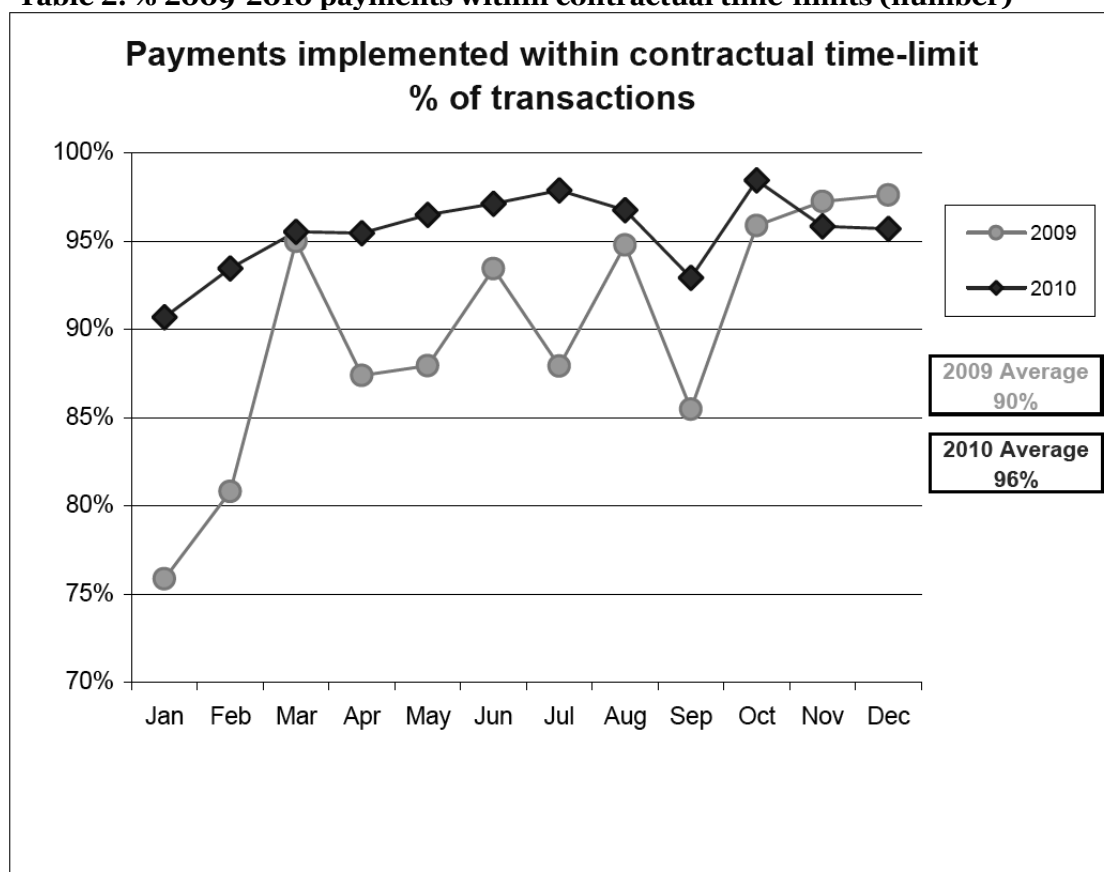
### 2.1. Commitment & Payments

Statistics for 2010 show further consolidation of the positive trend in payments processing recorded in the past years. A record performance of 95% was achieved in terms of underlying value of payments carried out within contractual time-limits, and 96% in terms of number of transactions.

**Table 1: % 2009-2010 payments within contractual time-limits (value)**



**Table 2: % 2009-2010 payments within contractual time-limits (number)**



The positive trend is reflected in the breakdown by Directorate and by type of transaction (see table 3). Project payments represented 97% of the total value of payments, and the project payment times performance was responsible for improving the annual average value of payments processed within contractual time-limits.

In terms of number of payments, 53% were for evaluations and reviews, 18% for projects, 15% for procurement and 14% for meetings. In 2010, 94% of project payments were carried out within contractual time-limits, compared to 84.26% in 2009. This steady improvement was also the result of continuous investment in IT tools to support payments, an effort sustained in the last years, with the priority to develop local applications for the automation of FP7 payments. The excellent performance in payment times for evaluations and reviews is due to the design of the financial circuit and the availability of the iFlow local application supporting the transactions. For meetings, it is expected that a simplification in the financial circuit for payments will lead to further improvement in 2011.



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

## 2.2. Status of Recovery Orders

During 2010 DG INFSO continued to further improve the procedures and processing of recovery orders, issuing new and following up existing open recovery orders.

The main reason for new recovery orders during 2010 was the implementation of audit results (242 cases) and a further 94 for liquidated damages in the context of follow-up to audits. In addition, 8 recovery orders were issued following the recovery of pre-financing amounts after final payments, 2 for bankruptcy, 16 for contract termination and 8 for other reasons.

At the beginning of 2010, there were 173 recovery orders outstanding for an amount of over EUR 21 million (out of which more than 19.2 outstanding amounts). During 2010, new recovery orders for EUR 27.6 million were established. Recoveries of EUR 22.9 million were cashed/compensated and EUR 1.2 was recovered from the FP7 Guarantee Fund. EUR 0.65 million were waived and cancelled during 2010. Consequently, the balance on 31.12.10 stood at 192 open recovery orders totalling EUR 23 million.

All details are provided in *Annex A1*.

### 3. Changes to the Financial Circuits

During the second semester of 2010, an in-depth revision of the financial circuits was carried out by Unit R2. The documentation of the 147 financial circuits currently in place in DG INFSO has been fully revamped. Changes in our organisational structure, the introduction of new IT tools and the introduction of new procedures have called for their complete revision.

The revised documentation now reflects the organisational specificities of each directorate, and specifies the financial circuits where iFlow, MIPS, PRESTO/SYSDRINK and WEBDOR are used to register electronic visas, those concerning the subsidies to ENISA, BEREC Office and the joint undertakings, and those covering the financial transactions of the FP7 participants guarantee fund.

It is proposed to simplify the financial circuits for meeting payments and for FP7 and CIP ICT-PSP prefinancing payments, to use ARES in seven financial circuits, and to sub-delegate to deputy Heads of OS/AFU the same rights as those given to Heads of OS/AFU.

Subject to approval by management, the new circuits will be implemented as of 1<sup>st</sup> April 2011, or as soon as the relevant IT tools are subsequently updated where necessary.



## 4. Risk Management

### 4.1 Follow-up of the 2009-2010 High Level Risk Assessment (HLRA) exercise

From the list of main risks identified for 2010, no risks were considered to have sufficient political/reputational exposure to be considered as "critical risks" in the context of the INFISO Management Plan (MP) for 2010. The monitoring of the main risks identified for 2010 revealed that the exposure to most of those risks has remained under control and/or has decreased. One risk was considered to have scope for further risk reducing actions, i.e. "Operational management of the Framework Programme". For other risks central monitoring during 2010 was considered to be sufficient.

The actions to address the risks in "Operational management of the Framework Programme" are implemented. The ICT Directors revisited the recommendations made by the three Working Groups on improving ex-ante controls (for negotiations, payments and project reviews).

Based on the recommendations of the INFISO-Working Group on payments, renewed guidelines for the payment process will be adopted in March 2011. Following a 2009 IAC audit, DG INFISO-Working Group on reviews has redrafted the Guidelines for the reviews in the autumn of 2010.

In the meantime, systematic screening of deliverables for plagiarism is being integrated in the processes (as from 2011 second semester), while guidelines and templates allowing a more structured and efficient way of dealing with contract terminations, payment suspensions and early warnings for the EWS-system have already been made available.

For the other main risks, for which no additional actions were considered needed/possible, the Directorates concerned reported no increase in the risk levels and the risks are considered to be stable.

### 4.2 The High Level Risk Assessment (HLRA) exercise for 2011

At the end of 2010, in line with the 2011 MP process, DG INFISO carried out an annual High-Level Risk Assessment (HLRA) exercise. Five main risks were identified and assessed for 2011:

- FP 8 simplification (reinforced monitoring for future as implications of this risk will not arise in 2011)
- External entities (reinforced monitoring)
- EU CERT Office (reinforced monitoring)
- Digital Agenda Assembly (reinforced monitoring)
- Fraud in FP and CIP projects (reinforced monitoring)

None of the risks identified and assessed during the HLRA-exercise for 2011 are considered to have sufficient political/reputational exposure to be considered as 'critical risks' in 2011.

The risks listed above will be followed up and/or monitored during 2011 via the ICC 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 2011" endorsed by senior management on 7 February 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 2010), and the subsequent recommendations for further improvements identified by the Internal Control Coordinator (ICC) are addressed in the Annual Activity Report 2010 (see AAR 2010 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 some of the requirements relating to mission statements, document archiving, and management supervision. Actions to reach full compliance have been identified and will be implemented in the course of 2011. The Internal Control Standard 9 on management supervision was identified as a priority ICS for 2011. An action plan is being developed.

Actions to remedy the weaknesses identified by the review include:

- mission statements of units and directorates will be updated to reflect the revised mission statement of the MP 2011 and subsequently uploaded on the intranet;
- training on "Dealing with lobbies" will continue to be offered;
- action to get closer to 100% (from 79% in February 2011) of validated job objectives for all staff;
- risk management process will be streamlined to ensure better continuity;
- monthly reporting of exceptions will be reinforced;
- an archive plan for the DG will be finalised;
- ICS review will be carried out before end of 2011 to identify early any gaps in compliance and to propose any appropriate corrective actions;
- Directorates will suggest ICS for prioritisation already in the mid-year DMRs so that their proposals can be better taken into consideration in the Management Plan exercise.

For more details see "DG INFSO 2010 Internal Control Standards Review" in *Annex C1*.

## 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 2010 chapter 3.1 and the corresponding DMRs).

On the basis of results of the multiannual FP6 audit strategy, the recurrent reservation on errors in cost claims under FP6 will not be included in the AAR 2010. On the basis of initial results of the multiannual FP7 audit strategy, and the fact that the initial sample is not sufficiently significant to draw conclusions concerning expected future possible error rates (except an initial assessment that rates are likely to be at a similar level or lower than those in FP6), there is no reservation on errors in cost claims under FP7 in the AAR 2010.

One instance of overruling took place in 2010. It was reported by Directorate R in its Management Report. The use of an ad-hoc financial circuit in a tendering procedure was authorised by the Director-General. The overruling was justified by urgency and priority of the file. Further minor exceptions considered of a limited relevance and non-systemic nature have been reported. Directors also reported on the status of the mitigating measures for sensitive functions in place at the end of 2010.



## 6. Status Report on External Financial Audits up to 31 December 2010

The detailed status report on external financial audits in 2010 is in the "External Audits Synthesis Report 2010" in *Annex D1*.



## 7. European Court of Auditors (ECA)

### 7.1. Declaration of Assurance (DAS) 2009 – Discharge procedure

The European Court of Auditors (ECA) published its 2009 Annual Report on 9.11.2010. Despite noting constant improvements the Report still contains criticisms of certain aspects of the management of the Research Framework Programmes.

As in previous years, it stresses for the material level of errors in the costs declared by beneficiaries and the lack of reliability of audit certificates as a control tool in FP6 projects. The Court considers that for 2009 the error range for Research, Energy and Transport is between 2 and 5%. The Court indicates that the reduction in the level of error already noted in its Annual Report 2008 has continued in 2009. The Court considers however that there is a risk that this trend may not continue under FP7, particularly due to difficulties in implementing the ex-ante certification of beneficiaries.

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 2008. The Court notes that the supervisory and control systems of the Research Framework Programmes are effective for ex-post financial audits and for desk checks before payment.

The Court stresses that there remains scope for further simplification of the research funding rules and procedures, and welcomes the Commission's Communication of 2010 proposing possibilities for the simplification of both FP7 and future FPs.

The 2009 discharge procedure continued with the hearing of Commissioner Geoghegan-Quinn by the EP CONT<sup>2</sup> committee at end-January 2011. The adoption of the CONT discharge report is planned for end-March 2011, with the vote on the 2009 discharge in the April plenary session of the European Parliament.

### 7.2. Declaration of Assurance (DAS) 2010 – Transaction audits

For the DAS 2010, DG INFSO received eight requests from the ECA for documents supporting twenty five transactions to be audited. All of these requests were received in the second half of 2010, due to a reorganisation of the Court in the first semester of 2010. The documentation was supplied within the deadlines.

During the second half of 2010, the ECA carried out six on-the-spot financial audits on the participation of legal entities in grants managed by DG INFSO. DG INFSO representatives accompanied the Court for five of these controls.

During the same period, the ECA issued six letters of preliminary findings relating to six transactions (out of the 25 transactions tested under DAS 2010),

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<sup>2</sup> CONT is the new acronym to be used for the CoCoBU – the European Parliament's Committee on Budgetary Control

of which five were audited on-the-spot by the Court. The average error rate for the 6 transactions amounts to 3.71% of the costs declared by the beneficiary.

## 7.3. Special Reports

### **Performance Audit: "e-Government":**

The aim of the Court's audit is to assess the effectiveness, efficiency and economy of the e-Government projects co-financed by the ERDF.

Twenty-eight projects were selected in four Member States (FR, IT, SP and PL). It is expected that the ECA will communicate its conclusions to the Commission, through a draft special report, in the first semester of 2011.

## 8. Internal Audit Service (IAS)

In 2010, progress in 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 Audit Management System IssueTrack database<sup>3</sup>.

Following two reminders of late implementation of very important recommendations from the Audit Progress Committee received in June and December 2010, the DG has taken further action to strengthen its monitoring of audit recommendations accepted by management arising from both IAS and IAC audits. Quarterly reporting on progress in implementation of audit recommendations was introduced. Additionally, the implementation of open critical and very important IAS and IAC recommendations is monitored on a monthly basis. As a result of this reinforced monitoring and focused efforts, DG INFSO has succeeded in closing by end of December 2010 7 out of 8 overdue very important IAS recommendations recorded in the 2010 Interim Overview Report on the follow-up of IAS recommendations:

**"FP7 Controls Design":** Very Important REC-10 "Liquidated damages and financial penalties": A DG INFSO internal Early Warning System (EWS) guidance note on legal entities considered to have committed irregularities and thus for flagging in the EWS, was approved by the Director General of DG INFSO in June 2010. DG RTD has recently agreed to follow DG INFSO's proposal for a guidance note that was forwarded to DG RTD as input for the common guidelines on administrative and financial penalties. The work at DG INFSO level has been accomplished but the guidance cannot be put into practice until there is an agreement between all research DGs for a common approach. Coordination with DG RTD is ongoing with DG RTD as chef de file. DG RTD has indicated end of March 2011 as deadline for the finalisation of the guidelines.

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<sup>3</sup> 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 2010, the Internal Audit Capability (IAC) of DG INFSO finalised the audits on "Evaluation of Research Framework Programmes managed by DG INFSO" on 9 September 2010, and "Evaluation of Proposals FP7" on 27 August 2010.

The follow-ups on "Limited review on general accounting" and "Audit on Procurement including Appointment Letters" were also finalised on 04.10.2010 and 17.11.2010.

The audit on "INFSO's Activities Related to the Functioning and Policy Objectives of ARTEMIS and ENIAC (JTIs)" and the follow-up of the "Audit on FP7 Project reviews" were launched during the reporting period. The draft reports for both audits were issued in December 2010 and the final reports were issued in January 2011.

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 budget issues.

The IAC has also given advice on issues regarding DG INFSO activities (e.g. JTIs).

On 15.02.2010, the IAC issued its Annual Opinion on the state of control within DG INFSO based on the results of the audits performed during year 2010, as a contribution to the AAR 2010.

See *Annex E1* for further information.

The IAC's Work Plan for year 2011 was finalised on 21 February 2011. In this regard, the joint risk assessment on DG INFSO audit universe performed together by the IAS and the IAC has been updated in year 2010. The risk assessment has taken account of the Final Results of the 2011 "High-Level Risk Assessment".

### 9.1. Overview of the Audits and Internal Organisation

Audits planned in the second half of the year have been executed<sup>4</sup>, as detailed in the previous section. The annual internal audit work plan for 2010 has been completed to a degree of 97%.

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<sup>4</sup> two audits being at the stage of draft reporting, with the final reports issued in January 2011, as detailed in the previous section

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.).

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

- 16 recommendations out of 17 (94%) were accepted by the auditees;

Audits <sup>5</sup>	Accepted Recommendation s			Rejected Recommendation s			Dropped by IAC	Total
	VI (*)	I(*)	D(*)	VI (*)	I(*)	D(*) )		
Audit on Evaluation of Proposals FP7	2	4	2			1		9
Audit on Evaluation of Research Framework Programmes Managed by DG INFSO	3	4	1					8
Total	16			1				17
	17							

- As regards the recommendations in two follow-up audits, 8 recommendations out of 21 are only partially implemented, while 2 were not implemented (not started).

Follow- up audit of	Implemented Recommendations			Partially implemented/ Not implemented Recommendations			Dropped by IAC	Total
	VI (*)	I(*)	D(*)	VI (*)	I(*)	D(*)		
Limited Review on General Accounting	1	2	1					4
Audit on Procurement including AL	1	6		4	2	4		17
<b>Total</b>	<b>11</b>			<b>10</b>				<b>21<sup>6</sup></b>

The IAC's Opinions concerning the audits "Audit on Evaluation of proposals FP7" and "Audit on Evaluation of Research Framework Programmes managed by DG INFSO" are satisfactory, except for the following Very Important recommendations:

### Audit on Evaluation of proposals FP7

<sup>5</sup> For the Audit on JTIs, the action plan has not been received to date of the present report.

<sup>6</sup> The *Follow-up Audit on FP7 Project Reviews* was not included in this table as the draft report was issued in December and the final report was issued in January.



- Undetected disqualifying conflict of interest found by the auditors as well as by the responsible services, show that DG INFSO cannot rely exclusively on experts' self-declaration of Conflict of Interest. Concerning evaluators, different tools and practices to identify and avoid conflict of interest have been developed within DG INFSO. However, the effectiveness, efficiency and scope of those practices should be improved to avoid further undetected conflict of interest.
- The complexity of administrative rules to present proposals and consequent effort needed to prepare them may be discouraging SMEs and "newcomers" to present proposals and therefore there is a risk to favour "window-dressing" of proposals and to decrease the efficiency of funding research. Directorates should consider alternatives to reduce the cumulative effort required to prepare proposals and reinforce measures to dissuade window-dressing.

### **Audit on Evaluation of Research Framework Programmes managed by DG INFSO**

- The strategic objectives of the Framework Programmes (FP) are of a generic nature and have not been translated into SMART (Specific, Measurable, Achievable, Relevant and Timed) objectives, as required by the Financial Regulation. The quantitative extent to which the objectives of the FP have been achieved is not clearly assessed by the FP6 ex-post evaluation report. Consequently, the scope for assessing the efficiency of FP for decision-making process is limited.
- The Evaluation Standards require evaluations to be conducted in such a way that results are supported by evidence and rigorous analysis. The evidence supporting the evaluation results in the FP6 ex-post evaluation report does not refer to the whole universe in terms of projects funded. Furthermore, there is little evidence collected from outside the FP. Consequently, evidence originated from the beneficiaries of the FP is not complemented enough by views coming from non-FP participants and conclusions of the evaluation may rely excessively on the collective experience of the panel members and on participants to FP and not enough on the whole ICT industry and academia.
- The assessment of efficiency in R&D programmes is intrinsically complex. Members of the different panels have addressed the questions of efficiency and cost-effectiveness through a more qualitative approach. However, DG INFSO is not fully evaluating the efficiency of R&D (ICT) programmes. There is a need for next evaluations to enhance the assessment of the cause-effect relationships between the resources employed in FP and the output obtained and, ultimately, the impact generated by FP, through comparative analysis, including benchmarking with other existing research funding schemes.

From the IAC's Opinion on the state of control within DG INFSO the IAC considers that, among others, the following issues should be duly taken into account:

- The results of the follow-up audits show a significant number of accepted recommendations, which however have not yet been effectively implemented.
- The Management Risk Assessment process should be further streamlined with the activities of DG INFSO.
- The effective implementation of ICS 9 (Management Supervision) should be further strengthened within DG INFSO.
- The need for DG INFSO to reflect upon the most efficient organisational structure to face the expected changes that will take place in next years, in particular as regards the new Research Framework Programme, as well as the accrued contribution of DG INFSO to the EC Policies
- Recommendations coming from the reports issued by the IAS.

## 9.2. Implementation status of open IAC recommendations

At the end of 2010 the status of IAC accepted audit recommendations was the following:

- Audit on CIP, Safer Internet and other non-research programmes not covered by IST framework programmes (5 very important and 5 important recommendations). Three very important and three important recommendations were considered implemented. One important recommendation was considered partially implemented. Two very important and one important recommendations were being implemented.
- Audit on Evaluation of proposals FP7 (2 very important, 4 important and 3 desirable recommendations). The implementation was underway. The latest target date is 2012.
- Evaluation of Research Framework Programmes managed by DG INFSO (3 very important, 4 important and 1 desirable recommendations). Two very important and one important recommendations were considered partially implemented. The latest target date is January 2012.
- Audit on FP7 Project Reviews (4 very important, 2 important, 1 desirable recommendations). A follow-up audit was finalised in January 2011 which concluded that, out of the four very important recommendations, three were in progress and one was partially implemented. Out of the two important recommendations, one was in progress and one was not implemented. One desirable recommendation was fully implemented. Following the Audit, Control and Budget Committee meeting of 9.02.2011, and the ICT Directors meeting of 18.02.2011, the implementation of the four very important recommendations will be followed up by the Deputy Directors General.

## 10. OLAF Files

The status of OLAF files, both open and under evaluation was analysed and updated with OLAF in early 2011. During 2010, 5 new files were communicated to OLAF resulting directly from the audit work carried out by Unit 02.

See the External Audits Synthesis Report 2010 in *Annex D1* for further information.

An overview including a short description of the ongoing OLAF cases is in *Annex F1*.



# 11. European Ombudsman Files

In the second semester of 2010 one new complaint and one closing decision with a critical remark were received by DG INFSO as "chef de file".

One draft recommendation and one proposal for a friendly solution were received.

DG INFSO replied in the second half of 2010 to two requests for information from the Ombudsman (received during the first semester of 2010), and the response to one complaint is still waiting for the Ombudsman's closing decision.

DG INFSO contributed to four replies to complaints to which it was associated, and organised one Ombudsman services' inspection file.

During the reporting period:

1. The Ombudsman published his annual report on the follow-up given by the EU institutions to its critical and further remarks (further remarks are not based on a finding of maladministration). DG INFSO is not concerned by any of these cases.
2. The Ombudsman sent to the Secretary-General of the Commission his strategy for his 2009-2014 mandate.

See *Annex G1* 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 in-put to on-going cases before the Court that are handled by the Commission Legal Service.

Six new cases were filed in 2010.

A full list of on-going and closed cases in 2010 is in *Annex H1*.

In addition to the information provided in the table, the HIM case has been successfully settled out of court to the satisfaction of the parties and a new case has been brought against the Commission by eIsotis, again contesting audit results and associated recovery.

There was an increase of cases brought before the Court in 2010 by beneficiaries of research projects as consequence of the implementation of audit results. Further, many cases were accompanied with a request for interim measures.





## 13. Declaration and Reservations

This part is documented and covered in the Annual Activity Report 2010 (see AAR 2010 Chapter 3).



## 14. Annexes

### ***Annex A – Chapter 2: Implementation of 2010 budget***

A1: Overview Status of Recovery orders

### ***Annex B – Chapter 4: Risk Management***

B1: DG INFSO 2011 High-Level Risk Assessment (HLRA) – "main risk register" for 2011

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

C1: DG INFSO 2010 Internal Control Standards Review

### ***Annex D – Chapter 6: Status Report on External Financial Audits up to 31 December 2010***

D1: External Audits Synthesis Report 2010 – Limited

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

E1: IAC's annual opinion 2010 - Limited

### ***Annex F – Chapter 10: OLAF Files***

### ***Annex G – Chapter 11: European Ombudsman files***

G1: State of Play of European Ombudsman files up to 31.12.2010 - Limited

### ***Annex H – Chapter 12: Litigation***

H1: Synopsis table on litigation ongoing and closed in 2010

### Overview status of Recovery orders up to 31.12.2010

#### Annex A1

Reference year	Recovery Type	Balance 01/01/2010	Recovery Orders amount	*GF intervention	Cashed or compensated 2010	Waived 2010 amount	Cancelled 2010 amount	Balance 31/12/2010 amount	Estimated amounts to be waived in the future	No of RO (01/01/2010-31/12/2010)	Estimated number of RO to be waived
2010	Total		27.663.387,12	1.269.528,44	19.410.851,49		191.781,06	6.791.225,31	1.051.489,54	382	4
	Financial Audit		13.254.355,37	1.173.655,44	6.731.455,81	0,00	0,00	5.349.244,12	963.231,22	242	2
	Final Payment		562.946,41		554.272,48	0,00	0,00	8.673,93	0,00	8	0
	Liquidated Damages		764.510,49		483.818,32	0,00	2.322,06	278.370,11	0,00	94	0
	Liquidation/bankruptcy		88.258,89		0,00	0,00	0,00	88.258,32	88.258,32	2	2
	Contract Termination		913.893,67	95.873,00	546.289,00	0,00	0,00	271.731,67	0,00	16	0
	Recovery of the initial contribution to the GF		377.213,00	NA	377.213,00	0,00	0,00	0,00	0,00	5	0
	Contribution of candidate countries to EU programmes		8.686.080,00	NA	8.496.621,00	0,00	189.459,00	0,00	0,00	7	0
	Other/divers	NA	3.016.129,29		2.221.182,13	0,00	0,00	794.947,16	0,00	8	0
2009 and before	Total	19.281.138,88	NA	0,00	2.287.901,94	456.660,94	8.150,00	16.528.426,00	11.061.245,00	NA	63
<b>TOTAL = 192 open RO at 31/12/2010</b>				<b>1.269.528,44</b>	<b>22.968.281,87</b>	<b>456.660,94</b>	<b>199.931,06</b>	<b>23.319.651,31</b>	<b>12.112.734,54</b>		<b>**67</b>

\* Includes only interventions on recovery orders established by the Commission

\*\* Very old outstanding recovery orders and bankruptcies

# External Audit Unit

# External Audits Synthesis Report 2010

Final  
16.02.2011

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.





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### Annexes:

- 1) Table I : Summary of implementation of the external audit results in DG INFSO (as of 31.12.2010)
- 2) Olaf table (*limited distribution*)

## Executive summary

The work of the External Audit Unit in 2010 can be summarised as follows:

- High level of output in quality and quantity
- Finalisation of the implementation of the FP6 audit strategy and start of the implementation of the FP7 audit strategy;
- Important contributions to the improvement of ex-ante controls and the implementation of an anti-fraud strategy in DG INFSO;
- Strong contributions to the exchange of best practices with other departments of the Commission.

The result of the implementation of the ex-post audit strategy in FP6, combined with all the other elements of the control strategy, is that DG INFSO would be in a position to issue an AAR2010 without a reservation. The residual error rate at the end of the period is expected to be close or below the materiality threshold.

As for FP7, the expectation is that the detected representative error rate will be below the FP6's. If all the current controls remain in place, no reservation would be needed for FP7 either.

The activity of the Unit obtained very high visibility outside the DG, by presentations to other DGs, publications in expert journals and exchanges with the European Court of Auditors.

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.

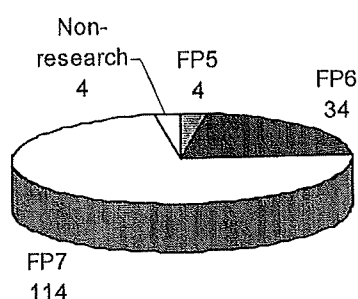


# Audit activity

## Initiation of new audits

During the 2010 156 audits were launched by Unit INFSO.02.

156 audits launched in 2010



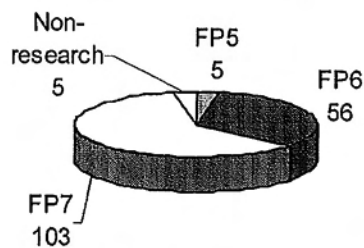
The number of audits launched in 2010 was reduced compared to 2009. This does not reflect a general tendency but rather an adjustment which is due to the fact that the launching of some audit batches was postponed to 2011 in order to match the number of ongoing audits to the available capacity.

The selection of audits regarding the non-research programmes is based on requests received from the operational services. However, a non-research audit strategy has been developed for INFSO, which is currently under review, and shall lead to the drawing of a representative sample in order to measure the error rate in the population.

## Ongoing audits

At the end of 2010 169 audits were ongoing. Currently, audit work is ongoing on two Research Framework Programmes and on non-research programmes (CIP, eTen, SIPP, EDU).

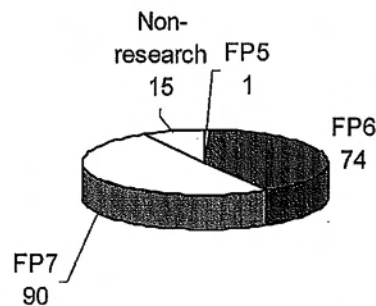
169 ongoing audits



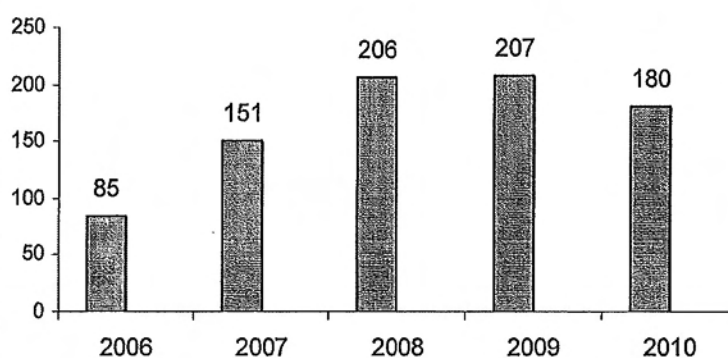
## Finalised audits

During 2010, a total of 180 audits have been closed by Unit INFSO.02

180 audits closed in 2010



Number of finalised audits per year



The number of audits closed in 2011 is slightly below the level of audits closed in previous years and the target for 2010 (closure of 200 audits).

# Audit strategy

## FP6

As of 31.12.2010, the implementation status of the FP6 audit strategy with respect to DG INFSO is as follows:

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

- the quantitative audit targets have been met.
- the audit coverage approaches 60% of the budget, this compares favourably with the initially intended coverage level of 40%. It has been achieved by application of audit results to non-audited projects/project periods and the sharing of audit results across the Research DGs.
- the principal target of the audit strategy to control the residual error rate at the materiality level which equals 2% will be met in the course of 2011, once all ongoing audits and extrapolation procedures have been finalised

In conclusion the FP6 audit strategy is considered implemented and no further FP6 audits of corrective nature on Top beneficiaries will be launched.

## FP7

The audit strategy for FP7 (2009-2016) was formally adopted end of 2009. Built on the experience on FP6, the FP7 audit strategy 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 are

- to clean a substantial part of the FP7 budget (up to 50%) from errors of systematic nature

- to obtain representative data to determine a multi-annual residual error rate
- to control the residual error rate at the materiality level (currently 2%) under consideration of cost-benefit criteria
- to 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 representative sample (MUS 161) has been drawn, which resulted in the launching of 106 representative audits. In 2011, these audits will be closed, the rest of the sample will be launched.

As for the corrective audits a first set of 67 audits was launched in 2009 and 2010 on important beneficiaries. Top200 beneficiaries are also selected in the MUS samples of INFOS and RTD. This has already resulted in the selection for audits on more than 125 out of the Top200 INFOS beneficiaries. This means that a large share of the budget is already covered by the ongoing audits.

Furthermore, in 2010 a selection of risk-based audits has been made (51 audits). These audits have been launched early 2011.

The current implementation status is as follows:

Category	Target FP7	Audits closed 31.12.10	Audits launched 31.12.10
Total	800	98	202
Representative	400	31	106
Corrective	400	67	96







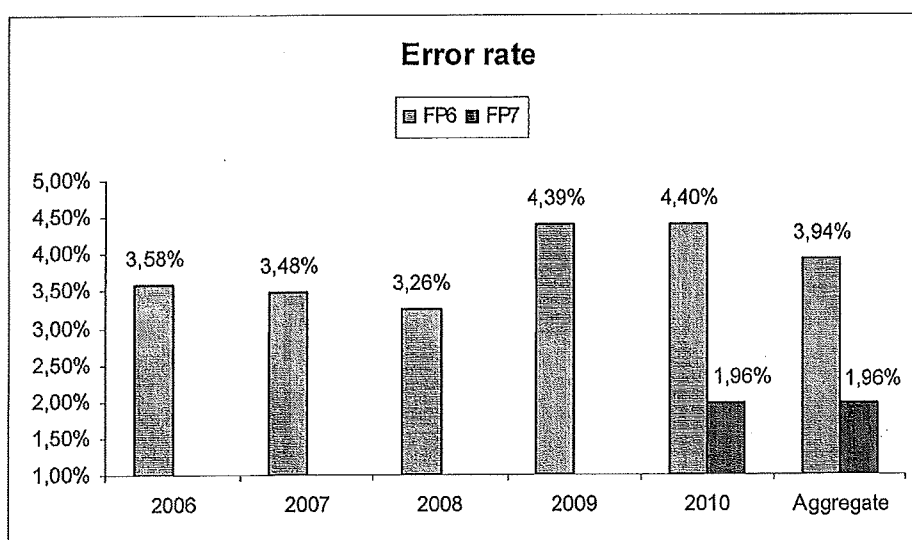




# Quantitative analysis of errors

For FP6, the "representative" error calculation method, agreed amongst the Research DGs, is based on the audit adjustments in favour of the EC at funding level (difference between funding accepted before audit and eligible funding after audit whenever in favour of the Commission) divided by audited accepted funding.. The resulting detected error rate for INFSO 2010, which is based on 43 audits, equals 4,40%. **The aggregate detected error rate for the whole period of FP6 is 3,94%.**

For FP7, the "representative" error calculation method agreed amongst the Research DGS is also based on the audit adjustments in favour of the EC at funding level as it has been the case in FP6. However, only the results of the audited cost statements selected in the MUS sample should be taken into account. As of 31.12.2010, the FP7 detected error rate is calculated on the basis of 33 cost statements. It is thus to be understood that the detected error rate of 1,96% is not yet representative and may be subject to increase.



By the implementation of 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 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.

On the basis of FP6 information available in audits, Unit INFSO.02 has calculated the portion of non-systematic and systematic errors. The result is that **the detected error rate of 3,94% is composed of 1,3% of non-systematic error and 2,6% of systematic error.** We use these figures as an approximation of the error rates occurring in the non-audited population

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.

$$Re sER\% = \frac{(Re pER\% * (P - A)) - (Re pERsys\% * E)}{P}$$

where

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

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

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)

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) This comprises contractors for which an audit was carried out either by DG INFSO or by the other Research DGs. It relates either to contractors for which extrapolation has been finalised (revised costs claimed received) in the presence of detected systematic errors, or contractors for which no extrapolation has been launched in the absence of detected systematic errors.

The FP6 audit coverage has vastly surpassed the objectives. More than 10% of DG INFSO's budget has been audited directly. Furthermore, the impact of extrapolation has enlarged the impact of the audits to 60% of the budget.

**The residual error rate for FP6 calculated according to this formula is currently: 2,2%. By incorporating the impact of all ongoing audits and extrapolations this residual error rate drops below 2%.**

In view of these figures it can be concluded that the combined effect of the FP6 audits strategy and the control systems in place at DG INFSO work sufficiently well to control error levels on a multi-annual consideration at the level of 2%.

# Qualitative Analysis of Errors

## Main type of errors in representative audits

- Based on 105 audits closed in 2010 (excluding risk-based and follow-up audits) comprising 258 projects
- Audited EC contribution: € Mio 67,1



# Implementation of audit results

During 2010 the reporting, monitoring and follow-up procedures on the implementation of audit results as well as the active support of the operational service regarding all aspects of the implementing process such as IT-applications, co-ordination of extrapolation procedures, application of liquidated damages, handling of contestations including litigation and ombudsman cases have again been a priority for Unit 02.

To that effect the collaboration with the "ex-post audit correspondents" in the IST Directorates (EPAC-Network) has gained 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. In order to further improve the practical handling of the implementation of audit results, DG INFSO services have developed a new IT tool (WebARPS). This new tool has been integrated with the DG's work flow tools.

A summary of the implementation of the external audit results in DG INFSO as of 31.12.2010 can be found in Table I. The financial effect of the adjustments resulting directly from financial audits closed in 2010 amounts to 13 mio€. In addition, roughly 6 mio€ were recovered from extrapolation procedures.

In qualitative terms it is pointed out that as of 31.12.2010 all audits adjustments related to audits closed in 2009 and prior which are not subject to contestations have been implemented. This compares favourably to the implementing status in previous years and corresponds directly to recommendations expressed by the European Court of Auditors in the frame of the DAS 2009 exercise.

# Extrapolation of audit results

Extrapolation is a corner stone in the audit strategies FP6 and FP7 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 10% 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 60% was attained. This amplification of the audit impact is instrumental in order to control the level of residual error at the 2% materiality level as it has been the case for FP6.

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

In 2010, 17 beneficiaries were requested to perform extrapolation relating to audits conducted by DG INFSO. Further 31 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 ESC) which was set up to make sure 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 31.12.2010, 207 extrapolation procedures were launched concerning FP6 contractors. 100 of those were initiated by DG INFSO, 107 by other RDGs. The number of extrapolation cases concerning FP7 equals 17, of which 7 were initiated by INFSO and 10 by other RDGs.

Under current audit practice each extrapolation case is subject to a follow-up audit. The purpose of the follow-up audit is to verify whether the contractor has complied with the request regarding revision of financial statements in order to eliminate the errors considered to be of systematic nature. During 2010, 18 follow-up FP6 audits aiming at validating the implementation of extrapolation of systematic errors by beneficiaries were closed. The aggregate number of follow-up audits closed equals 30. Almost all of the follow-up audits come to the conclusion that the extrapolation procedure has functioned properly.

It should be noted that the process of extrapolation and related recoveries is very resource intensive for both the Commission services and the beneficiaries. The increased number and extent of the audit effort and the consequent application of extrapolation has led to criticism from stakeholders, members of the EP and Member States.

In order to address these concerns, the Commission has adopted a Communication on the "simplification of the recovery process in the framework of the implementation of the audit strategy under the FPs for research" (SEC(2009) 1720 of 15 December 2009). This communication envisages 3 different methods for the calculation of the actual debt in case of extrapolation, of which 2 methods foresee the application of flat rates as a matter of simplification.

# Cooperation with OLAF

# Outlook on 2011

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.

Unit INFSO.02 will also continue to support the administrative follow-up to audits, i.e. recoveries, terminations, exclusions, as well as the detection and prevention of fraud and irregularities. This involves providing timely and comprehensive feed-back to the control systems in order to attain necessary improvements.

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.

The Unit will further contribute to the discussion on simplification of FP7, and the design of the funding rules concerning FP8 based on the lessons learned in audit practice. It will also contribute to the discussion on tolerable error.

Unit INFSO.02 will also continue to invest time to disseminate throughout the Commission and beyond the lessons learnt in new audit methodologies and tools.



# Conclusions and Recommendations

2010 has been a very intensive and successful year for Unit INFSO.02. As regards FP6 audits, all initial quantitative targets have been attained. In fact, the originally intended audit coverage (40% of FP6 funding budget) has been surpassed by more than 20%, to reach more than 60%.

The FP6 audit campaign currently results in a residual error rate of 2.2%. If the ongoing implementation of audit results and extrapolation exercises are successful, the residual error rate will drop to less than 2%. In the light of the current level of residual error rate for FP6 and the expected outcome of ongoing audit activities, no reservation on FP6 is recommended for the Annual Activity Report 2010.

Furthermore, initial results of the FP7 audit campaign indicate that the detected representative errors are lower than in FP6. If the current control system remains in place for FP7 this would mean that the residual error rate would be lower than 2% at the end of the multi-annual audit campaign. In this case a reservation for FP7 would not be recommended in the AAR2010 either.





## DG INFSO 2011 High-Level Risk Assessment (HLRA) – DRAFT "main risks register" for 2011

[no "critical risks"<sup>1</sup> were identified for annex 4 to the DG INFSO 2011 Management Plan (MP)]

### Scope

As foreseen in the Commission risk management framework (aiming at a coherent application of ICS-6), the DG INFSO 2011 High Level Risk Assessment (HLRA) exercise covers the 2011 MP objectives. The exercise addresses the ABB policy areas identified as:

- "Regulatory Framework for the Digital Agenda" = Dirs A and B
- "ICT Take-up" (incl. CIP) = Dirs C and H
- "Cooperation - Information and Communication Technologies (ICTs)" (incl. FP) = Dirs C, D, E, F, G and H
- "Capacities - Research infrastructures" = Dir F
- plus: "Resources and Support" = Dirs R and S [combination of the administrative budget chapters].

and the structure of the seven pillars of the "Digital Agenda for Europe" flagship initiative of the Europe 2020 strategy:

- Vibrant digital single market
- Interoperability and standards
- Trust and security
- Fast and ultra-fast internet access
- Cutting-edge research and innovation in ICT
- Enhancing digital literacy, skills and inclusion
- ICT-enabled benefits for EU society

### Process

The risk identification and assessment process was based on **bottom-up inputs** from the INFSO Directorates. On the basis of the risks reported, and following a discussion in the Management Team meeting of 17.01.2011, a **consolidated set of the DG's main risks** (residual risk level of 6 and above) was identified in the first part of the table below.

It was agreed to concentrate on risks relating to policy implementation (rather than on the inherent risks of implementing legislation that is beyond the control of the Commission) and on non-compliance risks.

### Results and follow-up

Similar to last year, it was confirmed that **none** of DG INFSO's main risks **are** considered to have sufficient residual exposure to be classified as **"critical risks"** in line with the Commission's definition. Consequently, **none are "(critical) cross-cutting risks"**<sup>2</sup> either<sup>3</sup>. All actions involving medium to high risks have been identified in the first part of the table.

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<sup>1</sup> In the Commission, a risk is considered "critical" if it can: jeopardise the realisation of a major policy objective; cause serious damage to the Commission's partners (Member States, companies, citizens, etc.); result in critical intervention at political level (Council/Parliament) regarding the Commission's performance; result in 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 upper end of the scale of the impact/likelihood model.

In addition, in order to facilitate the task in the future and to ensure proper identification and follow-up of risks, it is proposed that in all new policy initiatives developed in 2011 (and in future), **a paragraph on the risk assessment be included** in the roadmap, note to the Commissioner, and/or mapping/scoping paper to identify and assess the risks associated with such actions. As and when policy decisions are taken the risk will be updated in the final version of the action to be taken and integrated into the 2011 risk assessment. Any controls or action plan necessary will be developed with the unit/directorate responsible for the action and followed in the ICC Group.

In accordance with the (i) political/reputational importance, (ii) residual risk level and (iii) scope for further risk reduction actions by DG INFSO during 2011, the **appropriate risk management mode** will be applied. These include: (a) dedicated action plan; (b) reinforced monitoring; or (c) continued line management. The relevant risk management mandates will be assigned to and elaborated by the unit(s) in charge of the relevant activity/objective and reviewed in the ICC Group.

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<sup>2</sup> *In the Commission, a (critical) risk should only be considered "cross-cutting" if it affects several services 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.*

<sup>3</sup> *This also applies to the issue regarding "errors in Research FP cost claims" (cf. a recurrent reservation in the Research family DGs' AARs), for which DG INFSO considers the residual risk being mitigated (inter alia via the strengthened multi-annual RDGs' common ex-post control strategy) and consequently being under control. Moreover, it is indeed being addressed via an existing "family structure" coordination network.*

## DG INFSO's 2010-2011 HLRA – DG INFSO's consolidated "risk register"

<b>Risk Nr</b>  <b>Policy Area &amp; Act./Obj. affected</b>  + Lead Dir(s) responsible	<b>Risk title &amp; description</b>  <u>Risk</u> of (not) [potential consequence(s)], <u>due to</u> [root cause(s)]	<b>Risk type</b>  Commission's risk typology	<b>Main existing controls or mitigating factors</b>  List of <u>existing</u> controls	<b>Residual risk level</b>  <b>Likelihood x potential Impact</b> $= (1->5) \times (1->5) = 1->25$  low = 1-5 medium = 6-12 high = 15-16 very high = 20-25  <i>(only medium to high risks have been identified in the first part of the table)</i>	<b>Action scope</b>  Potential for additional action by INFSO <u>during 2011</u> , if any  <i>"Outline – Owner – Time horizon" to be further elaborated later (e.g. via ICC Group)</i>	<b>Risk response</b>  As <u>feasible during 2011</u> ; either:  - To be reduced (=action plan) <i>or</i> - Accepted (=reinforced monitoring)
<b>PART A</b> <b>Cluster 1 = "Regulatory Framework for the Digital Agenda"</b>						
<b>Clusters 2, 3 and 4 = "Cooperation - Information and Communication Technologies (ICTs)" (incl. FP), "Capacities - Research Infrastructures" &amp; "ICT Take-up" (incl. CIP)</b>						
<b>2011-1</b>  <b>DAE-5 - Research</b>  all ICT Dirs (via Dir C)	<b>FP8 SIMPLIFICATION</b>  Risk of <b>reputational damage</b> if <u>expected future</u> simplification does not materialise(continuing complexity and inefficiency of rules)	2.2. Operational processes - complexity  4.1. Legality & regularity - complexity		<b>MEDIUM: 4 x 3 = 12</b>	No impact in 2011 – only in later years  <b>Outline:</b> Contacts and discussions to continue on future simplification possibilities for FP8/CIP II including at political level, other DGs, etc.  <b>Owner:</b> C2 + C5 with input from S4/R2  <b>Time horizon:</b> beyond 2011; by end 2011 basic proposal from Commission	<b>ACCEPTED</b>  <b>(=reinforced monitoring and efforts to bring down expectations and counter political backlash)</b>

<p><b>2011-2</b></p> <p><b>DAE-5 - Research</b></p> <p>Dir G (with Dir R)</p>	<p><b>EXTERNAL ENTITIES</b></p> <p><b>JUs – risk of partial execution of EC budget contributions for JTIs, <u>due to a lack of funding commitment</u> by the Member States in the current economic climate</b></p>	<p>1. External environment - econ. crisis, political priorities and MS' budgets</p>	<p>Mid-term reviews and other reporting (to Council, EP) as requested by the underlying legal basis</p>	<p><b>MEDIUM: 3 x 2 =6</b></p>	<p>No (continued line management)</p> <p><b>Outline:</b> Contacts at political level (initiated in 2010) to be continued and stepped up during 2011, with a view to achieving a formal re-commitment from the MS as to their financial contribution to the JTIs</p> <p>Light revision of the JUs regulation</p> <p><b>Owner:</b> Dir G via G6 with input from Dir R2</p> <p><b>Time horizon:</b> 2011 and beyond</p>	<p><b>ACCEPTED</b></p> <p><b>(=reinforced monitoring)</b></p>
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**PART B**

<b>2011-3</b>  <b>DAE-3 - Security</b>  Dirs A & F	<b>EU CERT OFFICE</b>  Risk of operational damage (IT problems) and reputational damage (negative publicity) caused by <b>a cyber attack targeting EU institutions, due to</b> non-optimal counter measures in the absence of a CERT for EU institutions	2.1. SPP-related - interdependencies between DGs	Digital Agenda Action Plan (action n° 28) that includes a plan to set up EU-CERT  Attack simulation and test of mitigation strategies  In August 2010, European Commission Vice-Presidents Neelie Kroes and Maroš Šefčovič established a “Rat der IT Weisen” comprised of four high level experts, appointed ad personam, to provide the Commission and the EU institutions with advice regarding the establishment of a Computer Emergency Response Team (CERT) for the EU institutions  EU CERT should become operational in 2012	<b>LOW: 1 x 2 = 2</b>	No (continued line management)  <b>Owner:</b> Dir A + R (R3) with input from Dir F  <b>Time horizon:</b> to be determined (DIR A)	<b>ACCEPTED</b>  <b>(=reinforced monitoring)</b>
<b>2011-4</b>	<b>DIGITAL AGENDA ASSEMBLY</b>  Risk that the Digital Agenda Assembly is not positioned as the leading European event to discuss and develop the Digital Agenda policy and to engage stakeholders.	1. External environment - political priorities and external partners.  2.1. SPP-related - coordination and consultation  3.1. Human resources - staffing	Contacts with other institutions to ensure their support and participation. Stakeholder involvement to be organised.  Intra- and interservice group to prepare internal cooperation.	<b>LOW: 4 x 1=4</b>	<b>Outline:</b> Continuous close follow-up of preparations  <b>Owner:</b> C1 + all Dirs  <b>Time horizon:</b> June 2011	<b>ACCEPTED</b>  <b>(=reinforced monitoring)</b>
<b>2011-5</b>	<b>FRAUD IN FP AND CIP</b>	4.1. Legality &	Reinforced "vigilance" in the	<b>LOW: 2 x 2 =4</b>	<b>Outline:</b>	<b>ACCEPTED</b>



<p><b>DAE-5 - Research</b></p> <p>all ICT Dirs (via Dir C &amp; Unit 02)</p>	<p><b>PROJECTS</b></p> <p>Financial and/or reputational risks, <u>due to</u> the existence of fraud <b>in FP and CIP projects:</b></p> <ul style="list-style-type: none"> <li>- Projects to be terminated</li> <li>- Recovery orders to be cancelled</li> <li>- Negative press headlines and Court cases</li> <li>- Criticism and/or over-reacting in terms of 'controls'</li> <li>- negative perception by participants</li> </ul>	<p>regularity - complexity, ineligibility, fraud</p>	<p>operational Directorates:</p> <ul style="list-style-type: none"> <li>- thorough better assessment of participants' capacities</li> <li>- new approach to project reviews</li> <li>-training of staff in operational units on fraud prevention</li> <li>- reinforced monitoring of problem projects</li> <li>- suspension of payments</li> <li>- termination of participants</li> <li>- faster issuing of recovery orders</li> <li>- improved ex-ante controls</li> <li>- reinforced ex-post audit strategy</li> </ul>		<p>Efforts implemented in 2010 to be continued, generalised and strengthened during 2011</p> <p>FP6 audits to be launched only on the basis of risk analysis; FP7 and CIP to pay attention to risk analysis audits</p> <p>Increased effort to prevent problems by rigorous implementation of the guidelines on evaluation/negotiation, review and payments</p> <p><b>Owner:</b> C5+02+R2+S4 ICT Dirs lead 02, S4</p> <p><b>Time horizon:</b> to be determined by C5+R2+S4+02</p>	<p><b>(=reinforced monitoring)</b></p>
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## DG INFSO 2010 Internal Control Standards Review

### 1<sup>st</sup> Part: 2010 Priority Standards

ICS 8: Part on exceptions only. Annex 2 to Management Plan 2010: Horizontal monitoring of exceptions recorded/reported indicates that there may be need to re-clarify the DG-wide guidance, and/or to re-harmonise the practices across the INFSO Directorates.

ICS	Standard & <i>Requirements</i>	Ownership	Compliance & actions completed in 2010	Control effectiveness in 2010
<b>8. Processes and Procedures (operational, financial, information systems)</b>  <b>- incl. MoP, exceptions [&amp; data protection aspects]</b>	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	<b>COMPLIANT</b>	
	<i>The DG's main operational and financial processes and procedures and IT systems are adequately documented.</i>	R2, R3	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.	The Manual of Procedures (MoP) of DG INFSO gathers all of the INFSO procedures <u>in one place</u> . It is user-friendly and 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,	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	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</i>	S2	A note to the att. of INFSO Directors was sent out on 21/12/2010 reminding them of the procedures to follow when recording and reporting exceptions of a financial and non-	An analysis was made in the second half of 2010 by unit S2 of the practice of recording and reporting exceptions in DG INFSO. Proposals for changes to the procedure for

ICS	Standard & Requirements	Ownership	Compliance & actions completed in 2010	Control effectiveness in 2010
	<i>and logged centrally.</i>		<p>financial nature. Directorates report on exceptions in DMRs.</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>reporting exceptions are introduced from 1/1/2011 in order to improve consistency and quality.– eg. Directorates must report exceptions at the start of every month to unit S2; Unit S2 will check the quality of the justifications and keep a consolidated register.</p> <p>R2: ABAC comprises specific codes and workflows for control overrides.</p>

ICS 9: Annex 2 to Management Plan 2010: In the context of recent IAS and IAC findings in terms of some non-optimal supervision processes at DG INFSO at the one hand, and given the demonstration by a few DGs of good supervision practices and the availability of new (training) initiatives by BUDG on the other hand, it is a good occasion for INFSO managers to re-consider revisiting and/or renewing some of their supervision practices and/or tools.

ICS	Standard & Requirements	Ownership	Compliance & actions completed in 2010	Control effectiveness in 2010
<b>9. Management Supervision</b>  <b>- incl. BMR and ICW/recomm follow-up</b>	Management supervision is performed to ensure that the implementation of activities is running efficiently and effectively while complying with applicable provisions	S1+ S2 + R2	<b>PARTIALLY COMPLIANT</b>	
	<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><b>PARTIALLY COMPLIANT</b></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.</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 issue are discussed at unit meetings and Directorate meetings of which minutes are kept for records and available to</p>	<p>According to the IAC Final Follow-up Report of Internal audit on FP7 Project reviews, there may be insufficient supervision of project reviews. The IAC noted a lack of written evidence on the decisions taken by the hierarchy regarding the follow-up of problematic projects and suggested that some problematic projects may either not be detected by the PO or not be brought to the attention of the hierarchy. There is a risk that those projects are not supervised and problems are not detected by the hierarchy.</p> <p>New training module for managers on Supervision Techniques and best practices was recommended to INFSO managers via</p>

ICS	Standard & Requirements	Ownership	Compliance & actions completed in 2010	Control effectiveness in 2010
			<p>staff.</p> <p>R2: Budget implementation and payment times are the subject of monthly senior management reports.</p>	<p>R1's Training Newsletter in April 2010.</p> <p>New instructions on closer supervision of open audit recommendations, combined with closer central monitoring and reporting to INFISO's ABC Committee – see below.</p> <p>New instructions on exceptions recording/reporting – see ICS 8.</p> <p>New Document Management related instructions, including supervision aspects, in the context of migration to ARES – see ICS 11.</p> <p>DG-wide re-clarification of supervision aspects related to Community bodies (ENISA, BEREC, ARTEMIS, ENIAC) – to be completed in 2011.</p>
	<i>The supervision of activities involving potentially critical risks is adequately documented</i>	S2	Each year, INFISO carries out a High Level Risk Assessment (HLRA) exercise covering its objectives as part of the Management Plan. The important risks are listed, managed and followed up closely. 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 well documented in DMRs and in the reports prepared by the ICC Group. There was no critical risk identified for 2010.	
	<i>Management monitors the implementation of accepted ECA/IAS/IAC audit recommendations and related action plans</i>	S2	The implementation of ECA/IAS/IAC audit recommendations is monitored by the ICC Group. Progress updates are requested twice a year.	<p>To increase effectiveness of this ICS Requirement closer supervision of the follow-up to open audit recommendations by the Directors was introduced with a note of the DG of 2.6.2010 Ares(2010)977733.:</p> <ul style="list-style-type: none"> <li>- Directors are to discuss monthly the implementation progress with units concerned</li> <li>- status of IAC recs to be covered in the ICC</li> </ul>

ICS	Standard & Requirements	Ownership	Compliance & actions completed in 2010	Control effectiveness in 2010
				<p>Group's progress report and BMRs - unit S2 to report quarterly in ICC Group progress report on IAC and IAS recs</p> <p>To further reinforce the follow-up of audit recommendations and following Commissioner's Semeta's not of 1.12.2010 to Vice-President Kroes on the implementation of "very important" IAS recs overdue by more than 6 months, the DG decided at the "Audit, Internal Control and Budgetary Committee" meeting " of 8.12.2010 that the follow-up on timely implementation of any "<u>critical</u>" or "<u>very important</u>" recommendations, from the IAS and IAC shall be reported <u>monthly</u> in the Monday Management Team meeting as from January 2011.</p> <p>At end of 2010 there was one very important and one important IAS recommendation open.</p>
	<p><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></p>	S2	<p>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 2010, the first report, for the period from 1 July 2009 to 31 December 31, was sent to the Commissioner on 4.3.2010 and discussed on 17 March, together with the AAR 2009. The report covering first semester of 2010, from 1 January 2010 to 30 June 2010, was discussed on 17.9.2010.</p>	

ICS 11: Annex 2 to Management Plan 2010: Given that 2010 will be the year for the ARES switchover for DG INFSO, "document management" will be a key management theme.

ICS	Standard & Requirements	Ownership	Compliance & actions completed in 2010	Control effectiveness in 2010
<b>11. Document management</b>	<b>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</b>	S2-DMO ( <i>Ann Vanroelen</i> ), DPC (Isabelle Van Beers) LSO ( <i>Claire Sion</i> )	<b>PARTIALLY COMPLIANT</b>	
	<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 R0/LSO  + Data Protection Coordinator (DPC)	<p>Document Management is decentralised within DG INFSO – discussions with SG/OIB are on-going on how to assure proper archive space following the decision of SG that intermediate archives have to be kept locally during the retention period (10 years for Research projects)</p> <p>The notification on data protection has been taken up in all ARES trainings (compulsory for all staff)</p> <p>All INFSO 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 Heads 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>Intranet pages on Document Management have been updated to include the rules on security – this subject falls under the responsibility of the LSO. In ARES, the evolution of security notice, dealing with markings and handling of sensitive documents are closely followed-up by the Direction de Sécurité and the LSO network.</p>	<p>2010 was the year of migration from Adonis to ARES, meaning migration from a "DG-managed tool = Adonis" to a "Corporate-managed tool by SG/DIGIT = ARES".</p> <p>Actions completed in 2010 are to be split up in three chapters being (1) preparation of the migration to ARES; (2) the migration as such; (3) the follow up.</p> <p>As for the preparation to ARES, unit S2 has set up several dedicated meetings per Directorate in order to clean up the filing plans, the actions to be closed and the Adonis data-base.</p> <p>The migration to ARES was covered in the following documents: (1) Migration Project; (2) Communication Plan and (3) Training Plan. The management guidance was agreed in the management seminar of 20 April 2010 where the above documents were presented and the commitment of Mr. Madelin was highlighted. A dedicated Adonis to ARES task force was set up to guide the transition process with contributions from R1, R3, R4, Dir R assistant, S3 and S2.</p> <p>As for the follow-up of the migration to ARES of DG INFSO on 8 June, since migration procedures and workflows are being updated: be it in dedicated workgroups as the iFlow/Ares workgroup set up by the OS/AFU; automated registration in iFlow via ERIS and dedicated Document Management Desk</p>

ICS	Standard & Requirements	Ownership	Compliance & actions completed in 2010	Control effectiveness in 2010
				<p>Officers at unit level; the working methods between services and the Cabinet or the update of procedures of financial processes outside iFlow. The migration of the Cabinet on 28 October 2010 will trigger further updates and improvements. The decision of the Director General to lead by example and to move as much as possible to e-signature and electronic circulation has led to the guidelines on "Who signs what in INFISO" and "Which Tool to use for what in INFISO". Two senior management seminars of September and October 2010 had document management issues on their agendas.</p> <p>In addition, the S2 intranet pages have been constantly updated; input is scheduled for the Business Continuity plans in collaboration with the LSO as well as integration of ARES actions into the hand-over files of staff members and the use of marking within ARES.</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><b>PARTIALLY COMPLIANT</b></p> <p>The whole DG uses the ARES and NOMCOM for document management. DG INFISO has master Filing Plan allowing units to file according to their particular requirements. Document management is decentralised in the DG. There is a Document Management Officer and two Deputy DMOs at DG level and one DMO per Directorate to ensure the correct application of the Filing Plan in the Directorates.</p> <p><u>AS AGREED with SG/DIGIT</u> due to the fact that DMT resources had to be focused on migration to ARES and its immediate follow-up, DG INFISO has not yet developed the required archive plan. The documents are preserved during periods established by the document management rules as verification of the retention periods is embedded in the</p>	<p>The SG survey on document management (ARES(2010)953600) showed for INFISO an improved score of 84% for 2010 compared to 67% in 2009. The strong points of DG INFISO are: 1) good filing practice of INFISO's registered documents (3.32% of registered documents are not filed); 2) good monitoring of registration of documents and regular information sessions on sensitive documents and personal data. The survey shows that six months after migration DG INFISO is back to the high level with Ares before migration. Presentation at DG meeting on the subject is scheduled by the end of January – see as well the extensive training map for the migration and its follow-up in the Learning needs for 2011.</p> <p>There are still areas for improvement: missing archive plans, limited possibilities on statistics and reporting, lack of archive storage which will be taken up in 2011.</p>

ICS	Standard & <i>Requirements</i>	Ownership	Compliance & actions completed in 2010	Control effectiveness in 2010
			process for sending documents to the historical archives. An archive plan for the DG will be developed in the course of 2011. It will be integrated into the Archive Module of ARES which will be released by SG/DIGIT in 2011.	Extra actions were undertaken as to cope with the different issues and shortcomings in terms of procedures revealed by the introduction of ARES: iFlow/ARES task Force; dedicated workshops for Document Management Desk Officers at unit level, personal coaching sessions for senior management, adaptation of training material, coordination with DMOs of SANCO, RTD, REA and ERC to exchange best practice trying to streamline procedures. All of this having its effect on the MT meetings - Document Management and ARES remain a recurrent agenda item. In addition to the above, the CAD also deals with some extra tasks of managing INFISO access rights (Ares and NomCom) and technical implementation of re-organisations.



## 2<sup>nd</sup> part: 2010 Non-Priority Standards

ICS	Standard & Requirements	Ownership	Compliance & actions completed in 2010	Control effectiveness in 2010
<b>1. Mission</b>	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	<b>PARTIALLY COMPLIANT</b>	
	<i>The DG, Directorates and Units have up-to-date mission statements which are linked across all hierarchical levels</i>	S1 + Directorates and Units	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.	Dir R has reviewed its mission statement during one of the regular Dir R staff meetings  Dir A reported in the DMR that they have up-to-date mission statements of the Directorate and units on the Directorate's homepage and this is communicated to staff in the context of regular updates of job descriptions and job objectives.
	<i>These mission statements have been explained to staff and are readily accessible</i>	S1 + Directorates and Units	<b>PARTIALLY COMPLIANT</b>  The mission statements on the intranet do not seem to be up-to-date and/or available - check esp.S3, <b>S4</b> , C1, <b>C4</b> , D3, E2, E5, F1,F2, G2, <b>H</b> , <b>H4</b> 's mission statements.  The DG judges itself to be partially compliant with this requirement as some mission statements are nor available on the intranet.	

ICS	Standard & Requirements	Ownership	Compliance & actions completed in 2010	Control effectiveness in 2010
<b>2. Ethical and Organisational Values</b>	Management and staff are aware of and share appropriate ethical and organisational values and uphold these through their own behaviour and decision-making.	R1	COMPLIANT	
	<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	<p>Main documents that ensure that all staff are aware of relevant ethical values are available on the DG's Intranet and updates are made on a regular basis. Reminders on ethics issues are sent to all staff on at least annual basis via DG INFSO Human Resources Newsletter. Newcomers receive ethics introduction during the mandatory induction training.</p> <p>The DG has an intranet page on Ethics. It provides useful, updated and comprehensive information on how to deal with ethical issues. All forms that staff may need in relation to ethics can be found there.</p> <p>Gift register is kept by R1. There is a gifts mailbox to which staff can send their declarations. R1 keeps also record of declarations on conflict of interest, spousal employment, requests for authorisation of speeches, external activities, etc.</p>	<p>The results of the IAS and IAC audits on Ethics run in 2008 drew attention to the importance of awareness-raising on ethics issues. It was a priority ICS in 2009. In 2009 Unit R1 put additional emphasis on the promotion of ethics in DG INFSO.</p> <p>DG INFSO has developed a DG-specific Guide on Ethics and Integrity which was launched by Unit R1 on 6 December 2010. The Guide has been endorsed by the Management Team. It provides an overview of the main ethical principles. It does not replace the existing rules, but draws on their principles to help clarify some aspects. In particular, it provides DG INFSO specific and concrete examples to help us deal with ethical dilemmas. These examples are the case studies debated during the Ethics seminars held throughout 2009 and then validated in the first semester 2010 by the Ethics Working Group chaired by R1. The Guide is a living document and will be updated following experiences. The first update is planned for the second semester of 2011.</p> <p>Two seminars on ethics were organised in 2009: in June for Senior and Middle Management and in October for all staff. The outcome is the guide - case studies are reported in the guide.</p> <p>Acceptance of gifts – as announced by the Director General at the Assembly of December and confirmed on his blog, a new procedure has been designed by Unit R1 regarding acceptance of gifts. While we are trusted to take the right decision in this respect, we should declare having received a gift for the sake of accountability and transparency. However, the procedure differs according to the estimated value of the gift received. The appropriate procedure described herein:  <a href="http://intra.infsoc.ec.eu.int/R1/Ethics_Integrity/Rights_obligations/Gifts.htm">http://intra.infsoc.ec.eu.int/R1/Ethics_Integrity/Rights_obligations/Gifts.htm</a></p> <p>INFSO course on "Dealing with lobbyists" – the first course was organised on 26/11/2010 as a test case inviting a targeted audience. The course is organised by DG HR.</p> <p>The DG has the Ethics Correspondent. 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	Ownership	Compliance & actions completed in 2010	Control effectiveness in 2010
<b>3. Staff allocation and mobility</b>	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	COMPLIANT	
	<i>Whenever necessary - at least once a year - management aligns the organisational structures and staff allocations with priorities and workload</i>	R1	Allocation of staff: sizing exercise finalised and implemented by R1 with the approval of the MT in 2010. It is an innovative exercise throughout the EC of reallocation of staff according to priorities and workload. It is conducted when needed.	
	<i>Staff job descriptions are consistent with relevant mission statements</i>	R1	Job Descriptions are regularly reviewed, in particular in the context of the screening exercise. Close to 100% of staff have job descriptions.	JDs are reviewed at least annually. In 2010 they were reviewed in the beginning of the year in the context of screening exercise, in June and at year end. In October 2010, 18 JDs out of about 1250 were not completed according to official data from DG HR (which are produced every 3 months). This makes slightly more than 1% of JD not completed at that time. Reminders were sent afterwards.
	<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 opportunities</i>	R1	Turnover of staff is monitored regularly in R1 and reported in the DMR. The average vacancy rate is an indicator monitored in the MP.  R1 is also constantly engaged in equal opportunities policies, promotion of flexible working arrangements and relating awareness raising actions in order to attract and retain suitable staff. In addition, a mobility exercise was launched in 2010 for Head of Units and Deputy Heads of Units. They were asked for preferences as to their mobility; it was extended to all HoUs. It is now in implementation phase.  An intranet page on career guidance exists, including sections on mobility and career development.  The names of three Career Guidance Officers (ReLOPs) are posted on the intranet.	
	<i>Necessary support is defined and delivered to new staff to facilitate their integration in the team</i>	R1 + HoUs	Coaching & mentoring schemes are in place in the units. Newcomer's day regularly organised by R1.	

ICS	Standard & Requirements	Ownership	Compliance & actions completed in 2010	Control effectiveness in 2010
<b>4. Staff evaluation and development</b>	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	COMPLIANT	
	<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	DG INFSO conducts the evaluation and promotion exercise in line with DG HR rules. Reminders are sent to HoUs in the context of CDR process and independently to establish job related objectives for staff.	92% of INFSO statutory staff has validated or in project job objectives, of which 85% validated. 86% of all INFSO staff has validated or in project objectives, of which 79% validated.
	<i>Staff performance is evaluated according to standards set by the Commission</i>	R1	Staff performance was evaluated and promotion points were assigned in 2010 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.	
	<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 days<sup>1</sup>, set in the Commission's annual strategic Learning and Development framework, is devoted to learning and development activities</i>	R1	The DG INFSO Learning and Development Framework for 2010 was adopted by senior management on 1.2.2010 and published on the intranet. The DG INFSO Learning and Development Framework for 2011 was adopted by senior management on 22.12.2010 and published on the intranet.  The DG INFSO LDF Annex 4.1 includes compulsory training and courses recommended for different target groups. All staff are reminded on their arrival to follow the compulsory training.  The average number of training days per staff member reached 8.46 days excluding on the job training.	

<sup>1</sup> In 2010, 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	Ownership	Compliance & actions completed in 2010	Control effectiveness in 2010
	<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	All new staff are reminded on their arrival in the DG to complete a training map.  All staff are reminded to complete annual training maps as part of appraisal process. Reminders are regularly sent by R1 (3 reminders in 2010).	DG INFSO's deadline for the completion and validation of the training maps was 31 March 2010 (following the deadline fixed by HR B.3.). In total 91% of staff completed their training maps
	<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	The L&D team ensures that all staff is aware of the mandatory trainings that staff members should follow by keeping the information published on the intranet updated. Staff members have to follow mandatory courses. Reminder is regularly sent to staff via HR newsletter. Follow up is the responsibility of line manager.	No access is granted by R2 if relevant financial trainings have not been followed.

ICS	Standard & Requirements	Ownership	Compliance & actions completed in 2010	Control effectiveness in 2010
<b>5. Objectives and Performance Indicators</b>	<b>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.</b>	S1	<b>COMPLIANT</b>	
	<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	The Management Plan 2011 was discussed by directors on 13 December 2010. 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 plan in order to ensure that the MP is owned and understood.  The MP 2011 is based on a new set of general objectives stemming from the priorities of the Digital Agenda. The drafting process is accompanied by discussions at senior management level with regard to the DG's mission, strategic objectives, impact indicators	The Management Plan is based on the concept of management by objectives, which is well understood by management and staff.  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.  The general objectives for INFSO have been changed for MP 2011 to reflect the objectives of the Digital Agenda for Europe.

ICS	Standard & Requirements	Ownership	Compliance & actions completed in 2010	Control effectiveness in 2010
			and risks.	
	<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	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.	
	<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	The MP objectives are whenever possible established in line with the SMART criteria.	
	<i>Whenever necessary, the objectives are updated to take account of significant changes in activities and priorities</i>	S1	Yes, whenever necessary, the objectives are updated to take account of significant changes in activities and priorities.	
	<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 period of the activity</i>	S1	S1 ensured that all legislative and non-legislative initiatives for 2010 and 2011 complied with the SG rules, which includes the requirement of preparing appropriate roadmaps.  The roadmaps have been sent to unit C3 and S3 for quality control and have been reviewed by the senior management.	
	<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	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	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	

ICS	Standard & Requirements	Ownership	Compliance & actions completed in 2010	Control effectiveness in 2010
			own reporting mechanisms.  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.	

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<b>6. Risk Management Process</b>	A risk management process that is in line with applicable provisions and guidelines is integrated into the annual activity planning	S2	COMPLIANT	
	<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	A High-Level Risk Assessment exercise is carried out once a year 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 a DG risk 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. Next, via the Internal Control Coordination Group (ICCGr), during the year the most important risks are being reduced (action plans) and/or monitored. Regularly, progress is reported to senior management and the Commissioner (BMR). Senior management decides if there are critical risks facing the DG. The 2009-2010 exercise was pre-launched at the INFSO Directors' meeting of 5.10.2009 and formally launched with a note of 14.10.2009. 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 from 2011.	The risk management process is integrated in the annual MP process and carried out in compliance with guidance from central services. It is part of the ICC Group meetings and reports, part of the ICC Package, Directors Management Reports and Bi-Annual Management Report to the Commissioner. This set up ensures that risk management is fully integrated in the process of the DG's activities as well as frequently discussed by senior management and given sufficient endorsement.

ICS	Standard & Requirements	Ownership	Compliance & actions completed in 2010	Control effectiveness in 2010
			Additionally, Directorates are asked to continue line management of any risks at Directorate level. Directors report twice a year on the status of those risks in their mid-term and year-end DMRs	
	<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	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 Internal Control Coordination Group and updates of progress status 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	<p>A risk register containing the results of the HLRA exercise 2009-2010 was discussed by the Directors at the INFSO Directors meeting of 7.12.2009. Some additional comments have been received until 18.12.2009. The Directors agreed that none of the risks identified had sufficient political/reputational exposure to be considered as 'critical risks' for 2010.</p> <p>It was decided that one of the risks identified had scope for further risk reduction. An action plan was developed by Directors concerned, agreed at the ICT Directors meeting of 12.1.2010 and monitored in the course of the year by the ICC Group.</p> <p>For the five remaining risks identified, it was agreed that there was no significant scope for risk reduction. The risks have been monitored by the ICC Group at DG-level.</p>	



ICS	Standard & Requirements	Ownership	Compliance & actions completed in 2010	Control effectiveness in 2010
<b>7. Operational Structure (delegations, roles, etc.)</b>  <b>- incl. IT governance</b>  <b>- incl. sensitive functions, derogations</b>	<b>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.</b>	R2 R3/R4/ITSC R1	<b>COMPLIANT</b>	
	<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	R2: 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 Procedure	R2: 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.  R3: the IT governance is in place and working.
	<i>All delegated and sub-delegated authorising officers have received and acknowledged the Charters and specific delegation instruments.</i>	R2	All sub-delegations for 2010 were updated and signed in March 2010 for the period till 31.3.2011; reception of Charters signed. R2: DG INFSO's LPM in R2 keeps the register of Charter signatures	R2: 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	R2: 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.	R2: Control of ABAC sub-delegations and deputising is fully centralised in R2  Unit R4: IA and OV roles defined in the financial and IT applications
	<i>The DG's sensitive functions are clearly defined, recorded and kept up to date. For each sensitive function:</i> <ul style="list-style-type: none"> <li>- A risk assessment is carried out and relevant mitigating controls are established;</li> <li>- 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;</li> <li>- Once a jobholder has been exercising the</li> </ul>	R1	Information on sensitive functions is available on the intranet. There are three types of sensitive functions in DG INFSO: <ul style="list-style-type: none"> <li>• Authorising officers by sub-delegation</li> <li>• Middle management</li> <li>• Senior Management</li> </ul> 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.  Staff in sensitive function cannot be on the same job for more than five years, unless appropriate mitigating measures are put in	R2: Monitoring of sensitive functions has not led to any organisational change in 2010

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	<i>same sensitive functions for seven years, mobility is as a general rule applied.</i>		<p>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>R2: Sensitive functions in R2 are assigned further to a risk assessment and monitored throughout their exercise by the jobholder</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>	R1, R2	<p>Sensitive functions I the DG are monitored twice a year in the context of the DMR exercise via the self assessment for each Unit.</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"> <li>- <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></li> <li>- <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></li> <li>- <i>Each information system owned by the DG possesses a clearly identified business owner and is overseen by a steering committee.</i></li> <li>- <i>All new information systems projects are approved on the basis of a vision document.</i></li> <li>- <i>All new information systems are developed using the standard Commission project management and development methods, and take security into account from the very first</i></li> </ul>	R3/R4/ITSC	<p>R3: this requirement is fully implemented.</p> <p>R3: the IT Steering Committee is in place. See also IT governance website.</p> <p>R3: the IT governance is in place and working</p>	

ICS	Standard & Requirements	Ownership	Compliance & actions completed in 2010	Control effectiveness in 2010
	<i>stage.</i>			

ICS	Standard & Requirements	Ownership	Compliance & actions completed in 2010	Control effectiveness in 2010
<b>10. Business Continuity (HR, IT, BCP)</b>	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 + Directorates	COMPLIANT	
	<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	The handover procedure is on the R1 and ICS websites and includes the handover report. Deputising arrangements are covered in BC 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-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>	R0 + Directorates	The DG INFSO Business Continuity Plan was validated by the Director-General on 29th March 2007. It was updated for the fourth time in 2010 to prepare the Commission wide exercise of November 2010. The results of the exercise were positive for DG INFSO.  The Business Continuity Plan is on the R & ICS websites. It identifies, among others, the critical, essential and necessary functions and who does what during a crisis.	
	<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	The INFSO BCP was updated in September 2010 and tested (Commission exercise) in October 2010	
	<i>Electronic and hardcopy versions of the BCP are stored in secure and easily accessible locations, which are known to</i>	R0 + Directorates	USB key/Intranet/Noah/paper versions.	

ICS	Standard & Requirements	Ownership	Compliance & actions completed in 2010	Control effectiveness in 2010
	<i>relevant staff</i>			
	<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	R4: Disaster Recovery Plan; back-up, contingency & archive policies and operations.	

ICS	Standard & Requirements	Ownership	Compliance & actions completed in 2010	Control effectiveness in 2010
<b>12. Information and Communication</b>  <b>- incl. copyrights, IT security [&amp; data protection aspects]</b>	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	S1, S2, S3 R4  LISO (Francisco Guirao Moya)	COMPLIANT	
	<i>Internal and external communications comply with relevant copyright provisions</i>	S3	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.	
	<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	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 (see also R2 Reports). C3 monitors and evaluates our research and policy programmes. S1 and S2 report in the context of the Annual Management Plan (AMP) and Annual Activity Report (AAR). Twice a year, S2 drafts a consolidated Bi-annual Management Report (BMR) for the Commissioner. Directors	There is no official Internal Communications strategy in the DG. Internal Communication has been until now handled by the advisor to the Director General Wolfgang Streitenberger. Until we have an Internal strategy defined, with clear objectives and clear indicators on how to measure that the objectives are reached, it will be difficult to answer this question.  A presentation of Internal Communication strategy to management took place in

ICS	Standard & Requirements	Ownership	Compliance & actions completed in 2010	Control effectiveness in 2010
			contribute to the DG's overall picture by reporting 'bottom-up' through their Directorates' Management Reports (DMR). 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 Institutions. It is updated every two months. 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 ).	September 2010. The IC Strategy was available for staff contributions. A presentation was given at the Management Seminar in October.
	<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	1)The channels used in the DG to disseminate information are multiple: Intranet news corner, newsletters, emails, videos, posters, information conferences, meetings with staff at all levels from DG (staff assembly) to unit meetings.  2) the information disseminated through these channels is open to other DGs when their decisions, projects or initiatives concern our work in INFSO.	Unit R4: by the nature of its duties, the unit has horizontal competences DG-wide. It disposes therefore of multiple informal information channels and has also a formal one made of the quarterly Informatics Coordinators meeting chaired by the unit. The head of unit reports also weekly during the unit's weekly coordination meetings on the weekly Directorate meeting output.
	<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	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.	
	<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	An annual Communication Plan is annexed to the Management Plan in line with DG COMM requests.  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.	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 is analysing 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)

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			<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>is shared with Directors and Director-General at the management meeting, and with the Commissioner and her Spokesman and Cabinet and is thus included in any adaptations of ongoing communications strategies.</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>See: Statistical Snapshot-FINAL (including JP comments)-2 pages.pdf</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>	<i>LISO, R3, R4, S3</i>	<p>Unit R4: 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.</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>	
	<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>	<i>LISO, R3, R4 + Data Protection Coordinator</i>	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	The DPC raised awareness of LISO and LSO as far as retention periods by IT tools are concerned during regular meetings of the INFSO Security Cabinet (S3/R3 are also members of this Cabinet). Finally, the DPC is creating a new Working Group with other DPCs regarding 'privacy by design' issue (to be followed).

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			<p>personal data on DG INFSO Intranet (who's who and private events) and on public procurements.</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 and secured according to OIB, DIGIT and HR.DS recommendations and guidelines. Logical access to the Information Systems follows HR.DS recommendations, in agreement with the LISO.</p> <p>R4: provides the means for regular data backups / archive with clear data retention periods (description available in the Disaster Recovery Plan documentation). The IT DRP is formally tested on an annual basis and monitored by an external company; a report is then made and approved by the unit's management.</p>	

ICS	Standard & Requirements	Ownership	Compliance & actions completed in 2010	Control effectiveness in 2010
<b>13. Accounting and Financial Reporting</b>	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	COMPLIANT	
	<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	<p>R2: Regular bi-monthly reports were submitted to the OS/AFU to detect and implement corrections to the accounts throughout the year</p> <p>R2: Regular bi-monthly reports were submitted to the OS/AFU to detect and implement corrections to the accounts</p>	R2: Regular reporting and follow-up allowed minimising the impact and number of year-end corrections to the accounts

ICS	Standard & Requirements	Ownership	Compliance & actions completed in 2010	Control effectiveness in 2010
			throughout the year	
	<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	R2: The Accounting Coordinator carries out its duties according to ICS 13 and has the necessary qualifications, skills and training	R2: 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	R2: Accountancy procedures, including the cut-off methodology, were subject to further documentation in 2010, and are now fully documented	R2: 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	R2: 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.	R2: The standard financial annex to the AAR did not include any material error

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<b>14. Evaluation of activities</b>	<b>Evaluations of expenditure programmes, legislation and other non-spending activities are performed to assess the results, impacts and needs that these activities aim to achieve and satisfy.</b>	C3	<b>COMPLIANT</b>	
	<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>	C3	DG INFO's Evaluation and Monitoring unit fulfils the following functions: <ul style="list-style-type: none"> <li>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";</li> <li>provides senior management with advice on strategic orientations as a result of evidence-based evaluations;</li> <li>ensures that evaluation matches best practice in other services of the Commission,</li> </ul>	Interim evaluations of FP 7 ICT was performed during 2010 as were the evaluations on the JTIs (ARTEMIS/ENIAC) and AAL. 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 RTD. Follow-up to FP6 ex-post evaluation was also performed in the context of preparing and undertaking



ICS	Standard & Requirements	Ownership	Compliance & actions completed in 2010	Control effectiveness in 2010
			<p>and world-wide, and meets the requirements of the financial regulation and the Commission's evaluation and impact assessment guidelines;</p> <ul style="list-style-type: none"> <li>• 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;</li> <li>• Following up on the Smart Regulation policy of the president, training on roadmap writing has been organised by C3 in 2010. An IA training has been communicated widely in 2010 for launch in early 2011.</li> <li>• Two framework contracts for studies in the IA and evaluation fields have been managed by the unit.</li> <li>• One internal evaluation has been performed on the DAE Going Local initiative. Finally, several capacity building seminars with outside experts have been organised eg on measuring research effects and success factors.</li> </ul> <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>Three DG INFSO initiatives went to the IA Board in 2010 (NGA Recommendation, ENISA and Radio Spectrum) and three others are due for submission to the IAB in the near future (e-call, web accessibility and roaming). 14 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>the interim FP7 evaluation.</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 including the MT meeting as well as to the Commissioner and her cabinet.</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 the new MAFF/FP8. 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 major evaluations are presented to the MT meetings and/or to the commissioner.</p> <p>On CIP, follow-up of the Pogorell evaluation recommendations and reorganisation of the CIP support have been made. The launch of the CIP second interim (final evaluation) was done in 2010, to be finalised in 2011.</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</p>

ICS	Standard & Requirements	Ownership	Compliance & actions completed in 2010	Control effectiveness in 2010
			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.	DGs (DG COMM) as well as to the Commission representatives in the Member States.

ICS	Standard & Requirements	Ownership	Compliance & actions completed in 2010	Control effectiveness in 2010
<b>15. Assessment of Internal Control Systems</b>	<b>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</b>	S2	<b>COMPLIANT</b>	
	<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>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 contribute 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, Megan Richards - the Director of General Affairs, on the basis of overview of the DG's internal control systems issues recommendations to be considered by the Directorates concerned.</p> <p>Each year senior management also agree on priority ICS for effectiveness reviews. Management chose three ICS priorities for the 2010 review: exceptions recording/reporting, management supervision and document management. The ICS priorities are followed</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 ICC recommendations and are followed up annually.

ICS	Standard & Requirements	Ownership	Compliance & actions completed in 2010	Control effectiveness in 2010
			up at DG-level by 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. The review supports the assertion that DG INFSO is effective in its implementation of these standards.	
	<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	Declarations were signed by the Internal Control Coordinator and the Resources Director on 23.3.2010 in the context of 2009 AAR exercise. Declaration of Assurance was signed by the Director-General, Fabio Colasanti, on 23.3.2010 with a <i>reservation concerning the rate of residual errors with regard to the accuracy of cost claims in Framework Programme 6 contracts.</i>	The self assessment approach of DG INFSO has been designed and approved by senior management. The process is supported by senior management.

ICS	Standard & Requirements	Ownership	Compliance & actions completed in 2010	Control effectiveness in 2010
<b>16. Internal Audit Capability</b>	<b>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</b>	01	<b>COMPLIANT</b>	
	<i>The role and responsibilities of the DG's Internal Audit Capability (IAC) are formally defined in an audit charter.</i>	01	A Charter of the IAC, dated 11.03.2008 is currently available on the IAC Intranet page. It defines mission and objectives, accountability and responsibilities of the IAC.	The IAC's Charter has been developed, approved and signed by the DG and communicated to staff. The charter was unchanged with the new Director General, since this fact in itself is not a reason to change the Charter. However, a new charter will be proposed to the Director General in 2011, following the new International Standards for the Professional Practice of Internal Auditing (STANDARDS), approved in 2010.
	<i>The annual audit work plan is risk-based, forms part of a multi-annual strategic plan coordinated with the IAS and</i>	01	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	The annual audit plan complies with internationally recognised audit standards.

ICS	Standard & Requirements	Ownership	Compliance & actions completed in 2010	Control effectiveness in 2010
	<i>is approved by the Director General</i>		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.	The audits to be carried out in 2011 were approved by the Director General, following its presentation to the AICB committee. The detailed audit plan for 2010 was approved by the Director General.
	<i>The Director General ensures that the IAC is independent of the activities they audit</i>	01	A chapter on IAC's independence and objectivity has been included in the Charter.	<p>The IAC does not fulfil any operational tasks and is therefore independent of the activities to be audited.</p> <p>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	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>In 2010, IAC carried out 96% of the planned audit work. All audits, planned for 2010 were finalised, except for two audits (one of them a follow-up audit), for which draft reports were finalised in 2010 and the final reports will be issued in January 2011.</p> <p>In 2010, the final reports including recommendations, management comments and action plans were submitted for all finalised audits.</p>

## Synopsis table on litigation ongoing and closed in 2010 (to 31.12.2010)

### 1. Ongoing litigation

<b>INSULA vs. Commission</b>
<b>Case :</b> T-246/09 <b>Subject :</b> Request to annul Commission decision to recover ineligible costs following an audit <b>Programme :</b> FP5 <b>Amount :</b> 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)
<b>AML vs. Commission</b>
<b>Case :</b> T-387/09 <b>Subject :</b> Request to annul Commission decision on audit results and associated recovery of ineligible costs <b>Programme :</b> FP5 <b>Amount :</b> EUR 201,333.29 + late payment interest
<b>GL2006 vs. Commission</b>
<b>Case :</b> T-435/09 <b>Subject :</b> 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). <b>Programme :</b> FP6 (FP5, eTen projects were also audited and subject to recovery orders) <b>Amount :</b> EUR 2,258,456.31

**Synopsis table on litigation ongoing and closed in 2010 (to 31.12.2010)**

<b>Commission vs. EU Research Projects Limited (previously Spectrolab)</b>
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**Case :** T-220/10

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

**Programme :** FP5

**Amount :** EUR 102,039.32 + interest

<b>CROSS CZECH vs. Commission</b>
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**Case :** T-252/10

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

**Programme :** FP6

**Amount :** The recovery claimed by the Commission relates to a total amount of EUR 447,065

<b>IDIAP vs. Commission</b>
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**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)

**Synopsis table on litigation ongoing and closed in 2010 (to 31.12.2010)**

<b>ELESIA vs. Commission</b>
<p><b>Case :</b> T-312/10 <b>Subject :</b> 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. <b>Programme :</b> FP6 <b>Amount :</b> EUR 196 000.00</p>
<b>Health Information Management (HIM) vs. Commission</b>
<p><b>Case :</b> T-316/10 <b>Subject :</b> Contests audit results – Methodology of calculation of general costs (overheads) <b>Programme :</b> eTen <b>Amount :</b> EUR 11,000</p>
<b>Lito Hospital vs. Commission</b>
<p><b>Case :</b> T-353/10 <b>Subject :</b> Contests the recovery order issued against LITO <b>Programme :</b> FP6 <b>Amount :</b> EUR 109,415.20</p>

## Synopsis table on litigation ongoing and closed in 2010 (to 31.12.2010)

### 2. Closed in 2010 litigation

<b>Commission vs. Commune de Valbonne</b>
<p><b>Case :</b> T-238/08 <b>Subject :</b> Request for the reimbursement of a part of the advanced payment by the Commission <b>Programme :</b> MM <b>Amount :</b> EUR 14,261</p>
<b>Nexus Europe (Ireland) vs. Commission</b>
<p><b>Case :</b> T-424/08 <b>Subject :</b> Request for damages for "loss" of EU funding due to a change of cost model <b>Programme :</b> FP5 <b>Amount :</b> EUR 95,418.99)</p>
<b>European Dynamics S.A. vs. Commission</b>
<p><b>Case :</b> T-340/07 <b>Subject :</b> Request for annulment of Commission decision for to recover ineligible costs following an audit <b>Programme :</b> eContent <b>Amount :</b> EUR 172,588.62</p>





EUROPEAN COMMISSION  
Information Society and Media Directorate-General

Internal audit

Brussels,  
INFSO-01/FSP/D(2011)

**Limited**

**Note to MR. ROBERT MADELIN  
DIRECTOR GENERAL DG INFSO**

**Subject: IAC's annual opinion 2010**

Dear Director General,

Following our Charter, the IAC shall be accountable to the Director-General. The IAC shall express an opinion on the state of control within DG INFSO, based on the nature and the scope of the IAC work during the year.

The "legal basis" for the IAC annual opinion is Communication SEC (2003)59 on *"Clarification of the responsibilities of the key actors in the domain of internal audit and internal control in the Commission"*. Also the Standards of the Institute of Internal Auditors (IIA) require the internal audit activity to evaluate the adequacy and effectiveness of controls.

During the year 2010, the IAC of DG INFSO has completed four audits<sup>1</sup>. They covered "CIP, Safer Internet and other non- research programmes not covered by IST framework programmes", "Evaluation of proposals FP7", "Evaluation of Research Framework Programmes managed by DG INFSO" and "DG INFSO's Activities Related to the Functioning and Policy Objectives of ARTEMIS and ENIAC (JTIs)".

The present annual opinion of the IAC contributes to the AAR process.

I remain at your disposal for any information you may have on the abovementioned document.

Fernando Sendra Palmer  
Head of Unit

Cc : A. Peltomäki, Z. Stančič, Assistants  
Appendix: IAC's Annual Opinion 2010

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<sup>1</sup> For one of them (DG INFSO's Activities Related to the Functioning and Policy Objectives of ARTEMIS and ENIAC JTIs), the draft report was issued on 3rd December 2010 and final report has been issued on 20th January 2011.

## 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 2010 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 2010, the internal control system in place in DG INFSO **provides reasonable<sup>2</sup> assurance** regarding the achievement of the business objectives set up for the processes audited, **except for** the following issues:

#### Audit on CIP, Safer Internet and other non- research programmes not covered by IST framework programmes

- Access rights given to external experts in Safer Internet IT application for evaluation of proposals allow them to access internal documents including sensitive information. However, the external experts do not need to know the content of some of those documents, in order to carry out their tasks. Furthermore, several generic/anonymous logins/passwords exist in the IT applications used by DG INFSO to evaluate proposals. Therefore, there is a significant risk of leakage of confidential and sensitive information during the evaluation of proposals.
- Auditors found evidence on the non-evaluation of the compliance of claimed costs by beneficiaries with the principles of economy, efficiency and effectiveness (3E principle). Furthermore, satisfactory actions on problematic projects are not always taken. Even if a Project considered unsatisfactory and deliverables are rejected, DG INFSO may end up paying all eligible costs claimed by the consortium because of the effort done. Several factors contribute to this result, like complexity to calculate the amount of costs to be rejected in a consistent way or initial resistance from DG INFSO staff to be critical with projects that were successfully evaluated.
- Currently it is not possible to estimate the error rate in the non-research programmes because financial audits on non-research programmes (FP) are based on risk and on beneficiaries, which participate in non-FP and in FP. However, there are no financial audits sampled at random. Until now, DG INFSO has

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<sup>2</sup> 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*.

focused ex-post controls on FP6 and FP7, since those programmes constitute the main part of DG INFSO spending (more than 80% of DO INFSO budget).

- AOSDs do not always have all available information to DG INFSO when they have to sign grant agreements with beneficiaries that are in EWS2. Namely, they do not receive detailed information on preliminary findings of ex-post audits. AOSDs should also ensure compliance with the Commission Decision 2005/960/CE concerning internal rules for deputising. There is a risk that decisions to sign grant agreements with beneficiaries that are in EWS2 are delegated to a lower management level and also that grant agreements are signed without all relevant and available information.
- Having one or more beneficiaries in EWS2 has been identified by the auditors as a common feature to potentially fraudulent projects. The great majority of them have comments about inflated costs in ESRs while these comments are not frequent in other projects. In the same projects with beneficiaries in EW2, there was not always enough written evidence that negotiation addressed negative remarks in a way to adequately defend the financial interest of the Communities. There is a risk of non-protection of the financial interest of the Communities if those projects are not rightly identified.

#### Audit on Evaluation of proposals FP7

- Undetected disqualifying conflict of interest found out by the auditors as well as by the responsible services, show that DG INFSO cannot rely exclusively on experts' self-declaration of Conflict of Interest. Concerning evaluators, different tools and practices to identify and avoid conflict of interest have been developed within DG INFSO. However, the effectiveness, efficiency and scope of those practices should be improved to avoid further undetected conflict of interest.
- The complexity of administrative rules to present proposals and consequent effort needed to prepare them may be discouraging SMEs and "newcomers" to present proposals and therefore there is a risk to favour "window-dressing" of proposals and to decrease the efficiency of funding research. Directorates should consider alternatives to reduce the cumulative effort required to prepare proposals and reinforce measures to dissuade window-dressing.

#### Audit on Evaluation of Research Framework Programmes managed by DG INFSO

- The strategic objectives of the Framework Programmes (FP) are of a generic nature and have not been translated into SMART (Specific, Measurable, Achievable, Relevant and Timed) objectives, as required by the Financial Regulation. The quantitative extent to which the objectives of the FP have been achieved is not clearly assessed by the FP6 ex-post evaluation report. Consequently, the scope for assessing the efficiency of FP for decision-making process is limited.
- The Evaluation Standards require evaluations to be conducted in such a way that results are supported by evidence and rigorous analysis. The evidence supporting the evaluation results in the FP6 ex-post evaluation report does not refer to the whole universe in terms of projects funded. Furthermore, there is little evidence collected from outside the FP. Consequently, evidence originated from the beneficiaries of the FP is not complemented enough by views coming from non-

FP participants and conclusions of the evaluation may rely excessively on the collective experience of the panel members and on participants to FP and not enough on the whole ICT industry and academia.

- The assessment of efficiency in R&D programmes is intrinsically complex. Members of the different panels have addressed the questions of efficiency and cost-effectiveness through a more qualitative approach. However, DG INFSO is not fully evaluating the efficiency of R&D (ICT) programmes. There is a need for next evaluations to enhance the assessment of the cause-effect relationships between the resources employed in FP and the output obtained and, ultimately, the impact generated by FP, through comparative analysis, including benchmarking with other existing research funding schemes.

The above observations are the result of the audit work performed, which is documented in the IT tool Audit Management System (AMS). 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 2010 Annual Activity Report as required by SEC(2003)59<sup>3</sup>. It is based on the individual audit opinions arising from assurance work carried out in 2009/2010 and for which at least a draft report has been issued in 2010. These assignments were specified in the IAC Annual Audit Plan and approved by the Director-General on 15<sup>th</sup> February 2010.

### **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 might be higher than the control objective.

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 a significant number of accepted recommendations, which however have not been effectively implemented.
- The Management Risk Assessment process should be further streamlined with the activities of DG INFSO.
- The effective implementation of ICS 9 (Management Supervision) should be further strengthened within DG INFSO.

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<sup>3</sup> 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.

- The need for DG INFSO to reflect upon the most efficient organisational structure to face the expected changes that will take place in next years, in particular as regards the new Research Framework Programme, as well as the accrued contribution of DG INFSO to the EC Policies
- Recommendations coming from the reports issued by the IAS.

Fernando Sendra-Palmer  
Head of Unit 01 (IAC)

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

Limited

DG INFSO "Chef de file"

Name of the complaint	Date of reception of the complaint	Subject and ----- Background	Steps taken	Next steps

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

Limited

<p align="center">N° 2938/2009/GIS/IP</p>	<p align="center">10.05.2010</p>	<p><b>Access to documents</b>          -----          The complainant relates to the Commission's handling of an infringement complaint against the Italian 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.  <u><b>Allegations:</b></u></p> <ul style="list-style-type: none"> <li>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.</li> <li>the EC failed to reply to the complainant's letter of 15 July 2009.</li> </ul> <p><u><b>Claims:</b></u></p> <ul style="list-style-type: none"> <li>the EC has to respond to his confirmatory application and</li> <li>the EC has to inform him about its examination of his letter dated 15 July 2009, and its corresponding conclusions.</li> </ul>	<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.          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)          On 09.07.2010 SG sent to the complainant a reply to his confirmatory application.          Request for Cabinet agreement on 12.07.2010 (Reply required before 19.07.2010)          On 26.07.2010 Cabinet agreement received          Commission's reply to be sent to the Ombudsman by 31.07.2010          Commission's reply sent to the Ombudsman on: 06.08.2010          The translated in Italian reply sent on: 18.08.2010</p>	<p>European Ombudsman's closing decision: awaiting (between 6 months &amp; 1 year)</p>
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**State of play on European Ombudsman files**  
**Status overview**

Limited

<p align="center">N° 3065/2009/JF</p>	<p align="center">18.02.2010</p>	<p><b>Audit/Recovery</b>          -----  <b><u>Allegations:</u></b></p> <ul style="list-style-type: none"> <li>the EC failed to explain why the assessment made by its auditor should prevail over the assessment made by complainant's Commissaire aux comptes and</li> <li>the EC's plans to conduct further audits into the complainant's activities are motivated by revenge for its having complained to the EO in 2007, and are thus unjustified.</li> </ul> <p><b><u>Claims:</u></b></p> <ul style="list-style-type: none"> <li>EC should recognize the above,</li> <li>repay to him EUR 73 619 recovered on the basis of the 2007 audit and</li> <li>abandon its intention to conduct further audits into the complainant's activities.</li> </ul>	<p>Commission's reply sent to the Ombudsman on: 30.06.2010</p>	<p>European Ombudsman's closing decision: awaiting (between 6 months &amp; 1 year)</p>
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**State of play on European Ombudsman files**  
Status overview

Limited

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

Limited

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

Limited

<p align="center"><b>N° 2008/3373</b></p>	<p align="center"><b>22.12.2008</b></p>	<p><b>Audit/Recovery</b>          -----          The complaint relates to the earlier complaint 2008/2291 which was closed with no follow-up by the Ombudsman.  <u><b>Allegations:</b></u></p> <ul style="list-style-type: none"> <li>the EC acted unfairly by not accepting the complainant's costs related to salaries it paid to Moscow employees,</li> <li>the EC unilaterally changed contracts by transferring funds from different budget lines and</li> <li>the EC failed to reply in substance (and not only formally) to his letter of 13.08.2008.</li> </ul> <p><u><b>Claim:</b></u> the EC should waive the recovery of the "Overheads".</p>	<p>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 recovery from EDNES of the amounts corresponding to the "Overheads" for the three projects - and invited the Commission to send its detailed opinion by 31.12.2010          On 20.10.2010 Ombudsman's press release No 20/2010          On 20.10.2010 – The Commission's LTT.          On 22.11.2010 – DG INFSO Note to the Cabinet consisting of proposal for accepting the EO draft recommendation.          On 03.12.2010– Cabinet response to the Note, manifesting its disagreement with DG INFSO previously proposal.          ISC started on 07.12.2010. Due date for answer -13.12.2010.          On 13.12.2010-DG BUDG agreement with annotations.          Commission detailed opinion to be sent by 31.12.2010.          The reply was submitted to the EO on</p>	<p>European Ombudsman's closing decision: awaiting (between 6 months &amp; 1 year)</p>
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**State of play on European Ombudsman files**  
Status overview

Limited

			03.02.2011.	

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

Limited

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

Limited

**DG INFSO associated**

<b>Name of the complaint</b>	<b>Date of reception of the complaint</b>	<b>Subject and ----- Background</b>	<b>Steps taken</b>	<b>Next steps</b>
<b>No 1682/2010/ANA</b>	<b>20.10.2010</b>	<b>Transparency matter</b> <b>-----</b> <u><b>Allegations:</b></u> <ul style="list-style-type: none"> <li>the EC failed to provide a complete Register of Expert Groups and to guarantee adequate transparency in the operation of the Expert Groups.</li> <li>the EC failed to adopt the best practices concerning industry representatives, appointed to Expert Groups in a personal capacity;</li> <li>the EC failed to provide convincing reasons for not developing general criteria for the selection of members of Expert Groups and</li> <li>the EC failed to ensure a balanced composition of the Expert Groups.</li> </ul> <u><b>Claims:</b></u> <ul style="list-style-type: none"> <li>the EC should complete its Register of Expert Groups;</li> <li>ensure appropriate transparency in their work;</li> <li>apply in all the Commission the principle adopted by DG SANCO for situations where there is a</li> </ul>	DGs agreement asked on <b>07.12.2010</b> . Due date to reply- <b>14.12.2010</b> DG INFSO's agreement sent on <b>21.01.2011</b>	The SG's reply to be sent to the EO by <b>31.01.2011</b> .

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

Limited

		<p>conflict of interests;</p> <ul style="list-style-type: none"> <li>develop and publicise general criteria for the selection of members of the Expert Groups and</li> <li>address the issue of unbalanced composition of Expert Groups.</li> </ul>		
<b>No1817/2010</b>	<b>25.10.2010</b>	<p><b>Access to documents</b></p> <p>-----</p> <p><b><u>Allegations:</u></b></p> <ul style="list-style-type: none"> <li>the EC failed to respect the procedural provisions of Regulation 1049/2001 concerning deadlines when dealing with the complainant's application for public access to documents and</li> <li>the EC wrongly invoked the protection of the decision-making process to justify its decision to grant only partial access to the document entitled "Safer Internet 2009-2013-Evaluation Summary Report".</li> </ul> <p><b><u>Claim:</u></b> the EC should grant full access to the Evaluation Summary Report.</p>	<p>Ombudsman's inspection of the relevant file on: 23.11.2010</p> <p>Commission's reply to be sent before <b>31.12.2010</b></p> <p>DG INFSO's agreement with annotations sent on <b>03.02.2011</b> (agreement due to 07.02.2011)</p>	<p>The SG's reply to be sent to the EO by <b>28.02.2011</b></p>
<b>N° 2781/2008</b>	<b>02.12.2008</b>	<p><b>Access to documents</b></p> <p>-----</p> <p><b><u>Allegation:</u></b> the EC failed to provide valid and adequate grounds for the refusal of access to the documents that he requested under Regulation</p>	<p>Attribution to DG INFSO: 02.12.2008.</p> <p>SG G3's draft reply sent on 27.01.2009</p> <p>DG INFSO's agreement with annotations sent on 10.02.2009</p>	<p>European Ombudsman's closing decision: awaiting (between 6 months &amp; 1 year).</p>

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

Limited

		1049/2001. <b>Claim:</b> the EC should grant access to the documents requested, without, if necessary, revealing the identities of the individual experts.	Legal Service's agreement asked by SG G3 on 11.02.2009 SG agreement with annotations received on 23.02.2009 SG G3 agreement received on 23.02.2009 Commission's reply sent to the Ombudsman: 19.03.2009.	
N°2403/2008/OV	24.07.2008	<b>Non compliance with the procedures and infringement</b> ----- On 24.07.2008 a 3 <sup>rd</sup> complaint was sent by the complainant to the Ombudsman. This 3 <sup>rd</sup> complaint is the follow up of the 2 earlier ones for failure to deal, both as regards the procedure and the substance (only pending replies have been yet received by the complainant), with the initial complaint of 26.09.2007.	3rd complaint sent to the Ombudsman: 24.07.2008 Transmission of this 3rd complaint by the Ombudsman to the Commission: 11.09.2008 reply received through the EU-Pilot mechanism on 18.09.2008. Proposed reply on the substance (based on the ) from F. Colasanti to the complainant sent for comments to the involved DGs and the Ombudsman's related correspondents within the DGs (deadline: 10 working days): 14.10.2008 Reminder sent by DIR A to DG EMPL and LS on 31.10.08. Reattribution by the SG to DG EMPL 11.11.2008 DG EMPL's suggestion to re-attribution to DG INFSO as chef de file (which is rejected by DG INFSO): 13.11.08 Note by DG INFSO sent to DG EMPL: 10.12.2008 DG INFSO's holding reply sent to 11.12.2008	European Ombudsman's closing decision: awaiting (between 6 months & 1 year).



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

Limited

			<p>Commission's opinion sent to the Ombudsman: 06.02.2009.  Date of the Ombudsman's further request for info: 28.10.2009  Reattribution to DG EMPL as chef de file: 29.10.2009  DG INFSO input sent: 18.12.2009  DG INFSO's agreement with annotations sent on 11.01.2010  Reply sent to Ombudsman: 01.02.2010  Translation sent: 08.02.2010  Date of the Ombudsman's draft recommendation: <b>20.09.2010</b>  DG INFSO's agreement to the draft reply sent on <b>01.12.2010</b>  Commission's reply sent to the EO on <b>24.01.2011</b>  Translation of the reply sent on <b>24.01.2011</b></p>	
<b>N° 488/2007/PB</b>	<b>24.09.2007</b>	<p><b>Access to documents</b></p> <p>-----</p> <p>Allegation: the EC failed to give valid and adequate grounds for its rejections of his confirmatory application for full access to the documents requested. Claim: the EC should grant full access to the documents requested.</p>	<p>Date of the Ombudsman's sending to the Commission: 24.09.2007  Attribution to Cabinet Barroso (SecGen): 31.05.2007  SecGen asking for DG INFSO contribution: 22.08.2007  DG INFSO forwarded its contribution to SG-E3: 30.08.2007  Comments of the Commission sent to the Ombudsman by SG-E3: 01.10.2007  Ombudsman's proposal for a friendly solution sent to the Commission on</p>	NONE

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

Limited

			<p>24.09.2008  SG /E/3 (Transparency, Relations with Stakeholders and External Organisations)-asked whether it would be possible to re-consult the representatives of the Member States concerned to see if they maintain their opposition to the disclosure of documents/data provided by them:  25.09.2008  Consultation of the ERG  Extension of the Ombudsman's deadline for answer: 31.01.2009  DG INFSO's draft reply sent to the SecGen on 09.01.09  SecGen's comments on the DG INFSO's draft reply: 20.01.2009  Legal Service's comments: 05.02.09  SecGen's amended draft reply : 09.02.2009  DG INFSO's approval of the amended draft reply: 16.02.09  Commission's reply sent to the Ombudsman: 19.03.2009  Commission's translated reply sent to the Ombudsman: 30.03.2009  SecGen asking for DG INFSO contribution: 16.07.2009  DG INFSO forwarded its contribution to SG-E3: 16.07.2009  <b>European Ombudsman's closing decision sent to the Commission on 03.11.2009 (No Instance of Maladministration but further remarks)</b>  The Ombudsman considers that the factual outcome of his friendly solution proposal</p>	
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**State of play on European Ombudsman files**  
**Status overview**

Limited

			<p>may be considered satisfactory but he nevertheless asked for 2 further clarifications: 1) whether Article 4(5) of Regulation 1049/2001 applied to the private undertakings or whether the Commission consulted the private undertakings indirectly by contacting the national authorities, AND 2) whether refusals to provide access to a document with reference to confidentiality requests should be supported by a concrete reference</p> <p>Commission's reply to be sent on: 30.04.2010</p> <p>Given the high number of ongoing complaints running within SG-E3 and given that DG INFSO is mainly concerned by the further remark made by the Ombudsman regarding this complaint, it has been decided to start drafting a reply.</p> <p><b>The DG INFSO's reply has been sent to SG-E3 on 06.07.2010.</b></p> <p><b>DG INFSO's agreement to the SG E3 draft reply has been given on 16.07.2010.</b></p> <p><b>Commission's response sent to the EO on: 27.08.2010</b></p>	
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