2014 discharge: EU general budget, European Commission and executive agencies

2015/2154(DEC) - 15/09/2015 - Document attached to the procedure

PURPOSE: to present the annual report to the Discharge Authority on internal audits carried out in 2014.

CONTENT: this report is to inform the Discharge Authority of the work carried out by the Commission's Internal Audit Service (IAS), as required by Article 99(5) of the Financial Regulation. It is based on the report drawn up by the Commission's Internal Auditor under Article 99(3) of the Regulation, regarding IAS audit- and consulting reports completed in 20141 on Commission Directorates-General (DGs), Services and Executive Agencies.

In line with its legal base it contains a summary of the number and type of internal audits carried out, the recommendations and the action taken on those recommendations.

Scope of the report: the IAS's mission is to contribute to sound management in the European Commission by auditing internal management and control systems to assess their effectiveness with a view to achieving on-going improvements.

The IAS performs its work in accordance with the Financial Regulation and the International Standards for the Professional Practice of Internal Auditing and the Code of Ethics of the Institute of Internal Auditors.

The IAS does not audit Member States' systems of control over the Commission's funds. Such audits, which reach down to the level of individual beneficiaries, are carried out by Member States' internal auditors, national Audit Authorities, other individual Commission DGs and the European Court of Auditors (ECA). The IAS does, however, audit measures taken by the Commission services to **supervise and audit bodies in Member States, and other bodies which are responsible for disbursing EU funds** , such as the United Nations.

As provided for in the Financial Regulation, the IAS can carry out these duties on the spot, including in the Member States.

Implementation of the 2014 audit plan: by the cut-off date of 31 January 2015, the implementation of the 2014 audit plan reached its target of 100% of planned engagements for audits in the Commission, Services and Executive Agencies.

The IAS completed 105 reports (compared to 87 in 2013 and 89 in 2012) including 31 audits, 67 follow-ups, 5 limited reviews, one dedicated IT risk assessment and one management letter.

In 2014, the IAS issued 127 new recommendations (of which 50 very important and 77 important). Two recommendations rated 'important' were not accepted by management and another two recommendations rated 'very important' only partially.

Action plans for all accepted recommendations were assessed as **satisfactory** by the IAS.

Auditees reported that 78% of accepted recommendations issued between 2010 and 2014 were implemented by the start of 2015. Out of all recommendations rated 'very important' or 'critical' and issued in the period 2010-2014, 17 very important recommendations (2%) were overdue by more than six months. **No critical recommendation is outstanding**.

The APC was regularly informed of very important recommendations overdue by more than six months and reminded services of their responsibility to implement, where necessary.

The total number of accepted recommendations issued during 2010-2014 for which the IAS had conducted follow-up audits by the end of 2014, amounts to 640. The IAS follow-up work confirmed that recommendations were being implemented satisfactorily, contributing to the improvement of control systems in the audited services. The IAS closed 95% of the recommendations followed-up during this period.

The accompanying Staff Working Document provides more detailed information on acceptance rates for new recommendations and the implementation of recommendations relating to the period 2010-2014.

The Commission report reviews each of the recommendations made by the IAS, the specific Directorates-General (DGs) concerned.

Conclusion: the implementation of action plans drawn up in response to IAS audits this year and in the past contributes to the steady improvement of the Commission’s internal control framework.

The IAS will conduct follow-up audits on the execution of action plans that will be examined by the Audit Progress Committee, which will inform the College as appropriate.

The IAS will continue to focus on financial, compliance and IT audits and will step up its activities in performance auditing.