

ANNEX 5: Internal Control Templates for budget implementation (ICT) for direct centralized management/grants

Characteristics of DG Justice policy environment:

DG Justice (co) funds activities, mainly through general programme "Fundamental Rights and Justice". The programme embraces 5 specific programmes: Fundamental rights and citizenship, Prevention and combat of violence against children, young people and women and to protect victims and groups at risk (Daphne III), Civil justice, Criminal justice and Drugs prevention and information.

The beneficiaries include public authorities (ministries), NGOs and universities.

The grants, disbursed over a period of 1-2 years, reimburse up to 80% of actual eligible costs. Co-financing is required.

Key inherent risks in this environment :

- ✓ Many different types of projects and programmes
- ✓ Large number of different beneficiaries, each operating their own control system, with limited financial capacity.
- ✓ Need to rely on assurance from beneficiaries' control systems.
- ✓ Complexity due to the obligation to have a multi partners structure for projects
- ✓ Operational risks, controls based essentially on declaration from the beneficiary (reporting).

Key figures:

New grant agreements signed in 2010

- total number: 201
- Total amount: EUR 116,7 million
- average amount: EUR 0,58 million

New action grant agreements signed in 2010

- total number: 168
- total amount: EUR 59,31 million
- average amount: EUR 0,29 million

New operating grant agreements signed in 2010

- total number: 33
- total amount: EUR 57,39 million
- average amount: EUR 1,74 million

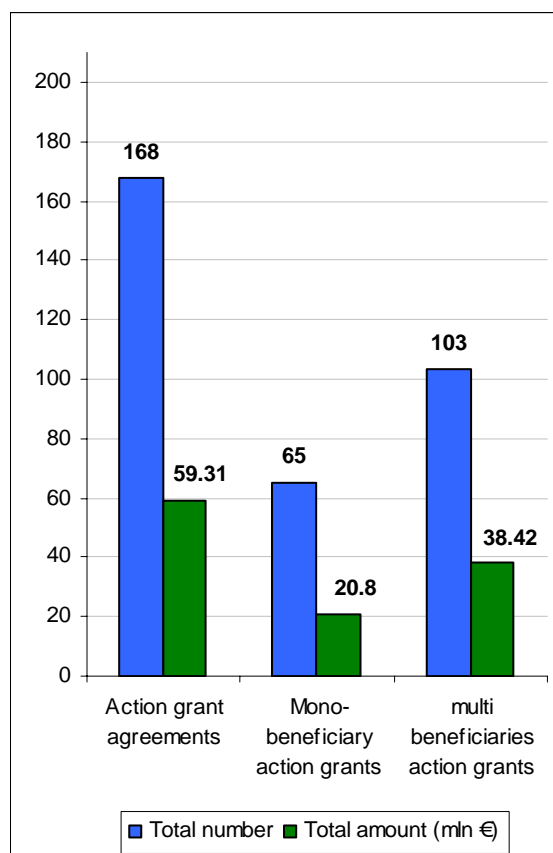
New mono-beneficiary action grants in 2010:

- number: 65
- amount: EUR 20,89 million
- average amount: EUR 0,23 million

New multi beneficiaries action grants in 2010:

- number: 103
- amount: EUR 38,42 million
- average amount: EUR 0,15 million

Open grants (no final payment made) (RAL): 575 (EUR 57.97million)



Management and control systems : stages and main actors	
<p>Selection process (of beneficiaries, intermediaries, agencies, contractors etc), including preventive measures</p>	<ul style="list-style-type: none"> ✓ Proposals are selected according to their professional credentials and financial stability and other criteria imposed by the legal basis. ✓ Beneficiaries are also checked against a legal entity list and the EWS. ✓ Quality of proposal selection enforced in certain cases by the use of external experts (imposed or not by the legal basis).
<p>Preventive and directive measures to improve the quality of financial management and provision of data by beneficiaries and intermediaries</p>	<ul style="list-style-type: none"> ✓ Programme website. ✓ Information meeting with beneficiaries. ✓ Guidance notes for beneficiaries on applying for projects, making payment claims. ✓ Use of Commission contractual templates. ✓ Direct contact with project and financial officers at the Commission to resolve particular queries. (Helpdesk)
<p>Detective and corrective controls: Verification of commitments, pre-financing, interim, payments and key milestones.</p> <p>Monitoring of the project</p>	<p>The financial circuit put in place in DG Justice is, for most transactions model 3 "decentralised circuit with central counterweight", where the operational initiation and verification functions as well as the financial initiation function are executed within each directorate. The ex ante financial verification is performed by the Shared Budget, Control and Ex-post audits Unit (SRD.01). For the first pre-financing payment of grants, model 1 "decentralised without counterweight" is used. In such cases, payments are made without involvement of the central financial unit, and the financial verification is undertaken by the authorising officers.</p> <p>Controls before and during the implementation period of the projects related to:</p> <ul style="list-style-type: none"> ✓ Control provisions provided in the contracts (penalty, recovery clauses, termination). ✓ Review and checks during the contract preparation phase of technical action plan and budget for consistency and plausibility. ✓ Desk checks of expenditure based on documents, including progress reports, final technical implementation report. ✓ Controls carried out by operational desks on technical implementation report in order to deliver the "conforme aux faits". ✓ Controls carried out by financial desks on financial and legal matters in order to deliver "bon à payer".
<p>Preventive and corrective controls and audit: Desk reviews, on-the-spot audits carried out either <i>ex-ante</i> or <i>ex-post</i>.</p>	<ul style="list-style-type: none"> ✓ At any time during the implementation period and for years after partial or final payment, the Commission can carry out on the spot controls and/or audits with substantive testing of a sample of transactions. ✓ In DG Justice the ex-post controls are made based on a risk assessment. The auditable population is represented by files where final payment was made in year N to N-4. ✓ The draft reports is sent first for comments to operational directorates and then sent to beneficiaries for contradictory procedure. The follow-up is ensured by the operational directorates. Through a quarterly analysis, the audit team ensures that the recommendations (issue of recovery orders or supplementary payments) were implemented. ✓ The ex-post audit activity was partially externalized, via a contract signed with the external contractor Moore Stephens. The implementation of the contract is followed up by the ex-post sector in SRD.01.

Feedback which enables control activities to be optimised	
Verification that processes are working as designed	<ul style="list-style-type: none"> ✓ The risks are assessed at the programme level within the yearly risks exercise. A follow up of critical risks is ensured every 6 months. ✓ For important risks, corrective measures are designed to mitigate them. ✓ An exercise for the assessment of the compliance with internal control standards (ICS) took place for the year 2010 in DG Justice. Based on the results, DG Justice complies fully with all the ICS.
Monitoring of performance of independent bodies, 3rd party auditors, externally contracted auditors	<ul style="list-style-type: none"> ✓ All recommendations provided by Internal Audit, the Commission's Internal Audit Service (IAS) and the European Court of Auditors and EP are followed up systematically.
High level management reporting (e.g. to the Director General and its role in monitoring problem issues)	<ul style="list-style-type: none"> ✓ DG prepares Road maps covering the expenditure cycle. ✓ The political priorities are transposed into specific objectives in the DG's Annual Management Plan ✓ Implementation of the key actions to be carried out and the progress achieved on the relevant targets and indicators appropriate to each action are monitored through the mid-term assessment of the AMP (June 2010). ✓ The progress made during the year is reported in the Annual Activity Report (AAR), and eventually the synthesis report for the Commission as a whole. ✓ Reports to Vice-President Reding on budget, finance and internal control are prepared bi-annually. ✓ Meetings with the Cabinet. ✓ Monthly budgetary reporting to the DG. ✓ Regular management meetings and directorates/units meetings ✓ Regular reporting to higher management is ensured ✓ Regular heads of financial units network meetings.

ANNEX 5: Internal Control Templates for budget implementation (ICT) for direct centralized management -procurement

Characteristics of DG Justice policy environment:

DG Justice (including Shared Resources Directorate) is dealing with 3 types of procurement contracts:

- Services within its horizontal activities (communication, information, trainings, IT management of Priamos, externalised audits, accounting quality). These contracts are awarded mainly based on framework contracts, belonging to other DGs (DG HR, DG BUDG) or its own framework contracts.
- Studies, evaluations, impact assessments for the implementation of its objectives, as well as the creation of websites and Portals on policy areas.
- Small scale IT projects.

Key inherent risks in this environment :

Common risks:

- ✓ Procurement is highly regulated. Detailed rules exist with even more in depth guidance based on experience and the jurisprudence of court judgements.
- ✓ In-depth knowledge is necessary to manage procurement effectively (risk of choosing wrong procedures/thresholds, risk of splitting purchases).
- ✓ Errors or mismanagement risk costing substantial resources (human and financial), if they are contested, even unsuccessfully, especially if they reach the court.

Key figures:

New contracts signed in 2010

- Total number: 218
- Total amount: EUR 17,4 million
- Average amount: EUR 79.93

Negotiated procedures in 2010

- total number: 0
- total amount: 0
- average amount: 0

Open procedures in 2010

- total number: 13 (4)
- total amount: EUR 5.39million €
- average amount: EUR 0,415 million €

Restricted procedures in 2010:

- number: 1
- amount: 0.271 million €
- average amount: 0.271 million €

Contracts not completed (RAL)

- total number: 261, of which 162 new RAL (2010)
- amount: EUR 16,3 million, of which EUR 11,05 million new RAL (2010)

Management and control systems : stages and main actors	
<p>Selection process (of beneficiaries, intermediaries, agencies, contractors etc), including preventive measures</p>	<p>The selection process follows the provisions of the Financial Regulation and its Implementing Rules. Within DG Justice, an internal procurement committee (JPC) was set up. The committee is consulted on all procedures above 60.000€</p> <ul style="list-style-type: none"> ✓ Procurement needs are clearly defined and justified from an economic or operational point of view and approved by the Authorising Officer. ✓ An evaluation committee is set up to prepare the selection of the contractors, except for low value contracts. ✓ Every member of staff with significant financial responsibility may be defined as occupying a "sensitive post". Staff should not occupy a sensitive post for more than five years. ✓ Declaration of lack of conflict of interest (member of committee but also for the manager). ✓ An advisory body is consulted with regard to procurement files on a mandatory / voluntary basis (JPC). ✓ Physical protection of the offers submitted (locked room and segregation between original and copies). <p>In the framework of implementation of the action plan for the IAS audit on IT procurement, the DG developed an IT Procurement plan template that needs to be filled in for IT Procurements with a budget >1.000.000€ The IT procurement plan includes a section on IT multi-sourcing strategy. These documents were adopted by the IT Planning Committee (chaired by the</p>
<p>Communication and information measures to improve the quality of financial management and provision of supporting data by beneficiaries, contractors and intermediaries</p>	<ul style="list-style-type: none"> ✓ Transparency measures: calls for tender are published in the Official Journal and the EUROPA website. Updated information and FAQ are posted regularly on the website. ✓ Standard contracts of DG BUDG are used. The specific models developed for the IT contracts have been also approved by SG and DG BUDG. ✓ Adequate communication to unsuccessful tenderers. ✓ Computerised accounting system is used to record the contracts and the transactions related to the contracts in ABAC ✓ Technical training in procurement. Ex-ante sector ensure continuous support in procedural matters. ✓ All staff involved in financial management have the responsibility to alert their Director-General, the Secretary-General or OLAF if they suspect any irregular, illegal or criminal activity.
<p>Detective and corrective controls: Checks and monitoring during the initial phases of the programme/contract Checks and monitoring during the final/ closure phases of the programme/contract</p>	<p>The financial circuit put in place in DG Justice is, for most transactions model 3 "decentralised circuit with central counterweight", where the operational initiation and verification functions as well as the financial initiation function are executed within each directorate. The ex ante financial verification is performed by the Shared Budget, Control and Ex-post audits Unit (SRD.01). For the first pre-financing payment of grants, model 1 "decentralised without counterweight" is used. In such cases, payments are made without involvement of the central financial unit, and the financial verification is undertaken by the authorising officers.</p>

<p>Preventive and corrective controls and audit: Desk reviews, on-the-spot audits carried out either <i>ex-ante</i> or <i>ex-post</i>.</p>	<p>In 2010 the IAS carried out a horizontal audit on IT project initiation in the Commission. Individual recommendations per IT project analysed were not issued. The IAS expressed however specific remarks identified during the audit engagement in the Management letter addressed to the Director General inviting to take them into account in the future IT projects. No follow-up audit will be performed on these issues.</p> <p>In November 2010 the IAS finalised its follow-up audit on IT Procurement, concluding that all the recommendations addressed to the DG have been successfully implemented.</p>
<p>Feedback which enables control activities to be optimised</p>	
<p>Verification that processes are working as designed</p>	<ul style="list-style-type: none"> ✓ Risks are assessed at the programme level within the yearly risks exercise. A follow-up of critical risks is ensured every 6 months. Corrective measures are designed to mitigate the risks. ✓ An exercise for the assessment of the compliance with internal control standards took place in DG Justice in January 2011 based on the results all the ICS have been considered as implemented.
<p>Monitoring of performance of independent bodies, 3rd party auditors, externally contracted auditors</p>	<ul style="list-style-type: none"> ✓ All recommendations provided by Internal Audit, the Commission's Internal Audit Service (IAS) and the European Court of Auditors and EP are followed up systematically. There were no open overdue critical or very important recommendations in 2010.
<p>High level management reporting (e.g. to the Director General and its role in monitoring problem issues)</p>	<ul style="list-style-type: none"> ✓ DG prepares Road maps covering the expenditure cycle. ✓ Ad hoc reporting as needed to DG on. ✓ The political priorities of DG Justice are transposed into specific objectives in the DG's Annual Management Plan. ✓ Implementation of the key actions to be carried out and the progress achieved on the relevant targets and indicators appropriate to each action was monitored through the mid-term assessment of the MP in June 2010. ✓ The progress made during the year is reported in the Annual Activity Report (AAR), and eventually the synthesis report for the Commission as a whole. ✓ Bi-annual report to Vice-President Reding on budget, finance and internal control are prepared. ✓ Meetings with the Cabinet. ✓ Budgetary reporting to the DG. ✓ Regular management meetings and directorates/units meetings. ✓ Regular heads of financial units network meetings.