

# Financial year 2022

## Report of the authorising officer by delegation

(pursuant to Article 74(9) of the Financial Regulation)



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## Introduction

**01** The financial rules applicable to the general budget of the Union (the Financial Regulation) require the ECA Secretary-General, as the institution's authorising officer by delegation, to submit an annual activity report on the performance of his duties to the ECA and the budgetary authority.

**02** This report contains financial and management information, an analysis of the efficiency and effectiveness of internal control systems, and the Secretary-General's annual declaration of assurance regarding the legality and regularity and sound financial management of the financial transactions under his responsibility. It complements the ECA's annual activity report, which gives an account of the institution's core activities and main achievements, and its use of resources during the year.

**03** The report starts with a summary of the Secretariat-General's activity. This is followed by some highlights for 2022 and a description of the main results and activities in each management area, including the use of budgetary and human resources, and the results of the Secretariat-General's internal control systems. The final section contains the Secretary-General's annual declaration of assurance in his capacity as authorising officer by delegation. The annex provides specific information, as required by the Financial Regulation, on budgetary and financial management.

# The Secretariat-General

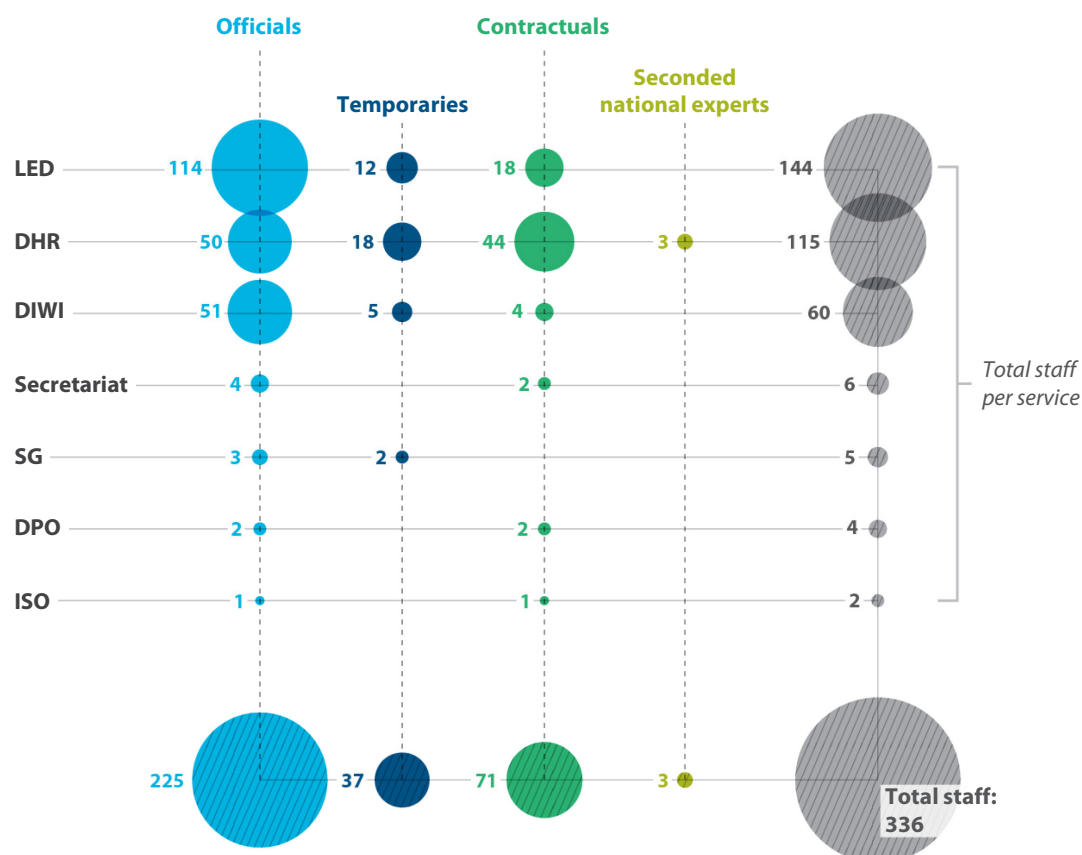
**04** The mission of the Secretariat-General is to provide appropriate resources, services and facilities to enable the ECA to accomplish its mission and strategic objectives. The Secretary-General is responsible for the ECA's administration and staff management, as well as for its budget, language assistance and publication services, training, digital workplace, security and safety, and business continuity (facilities, medical service, etc.). He also oversees the Secretariat of the Court, whose main duties are to ensure that Court meetings are correctly prepared and followed up.

**05** The Secretariat-General comprises three directorates and two other departments:

- the Directorate of Human Resources, Finance and General Services (SG1-DHR), which supports the ECA in seven main areas: (1) human resources management, ethics, and diversity and inclusion; (2) medical and social assistance; (3) learning and development; (4) business travel (missions) and transportation; (5) catering, protocol and events; (6) physical safety and security; and (7) budget management and accounting;
- the Directorate of Information, Workplace and Innovation (SG2-DIWI), which is responsible for the physical workplace (buildings, technical facilities, offices, logistics), the digital workplace (IT equipment, services and devices) and the ECA library;
- the Language and Editorial Directorate (SG3-LED), which provides translation, language assistance and publication services for the institution;
- the team of the Data Protection Officer (DPO), which monitors compliance with the EU data protection rules and promotes a culture of personal data protection;
- the team of the Information Security Officer (ISO), which is responsible for security governance and security planning, developing and implementing information security policy, mitigating information risks and carrying out information security audits.

**06** At the end of December 2022, the Secretariat-General had 336 staff, who were spread among the five directorates and departments as shown in [Figure 1](#). SG2-DIWI also employed a significant number of external service providers working on IT projects for the ECA (76 external staff, some of them part-time) and SG1-DHR had six external staff in the Medical Service.

Figure 1 – Staff distribution in the Secretariat-General



Source: Directorate of Human Resources, Finance and General Services.

**07** In 2022 the Secretariat-General managed €161 666 175, or 99.7 % of the ECA budget. The budget execution rate was high: 98.1 % of final appropriations committed and payments totalling €151 423 603 (95.3 % of commitments) – see [Table 1](#). The Secretariat-General does not manage the budget lines concerned with communication and legal costs, or the costs of missions outside its direct remit. The Data Protection Officer and Information Security Officer do not manage any expenditure.

**Table 1 – Budget managed by the Secretariat-General (€), 2022**

Directorate	Initial budget	Appropriations	Commitments	Payments
Human Resources, Finance and General Services	146 952 275	145 792 275	143 504 932	142 037 491
Information, Workplace and Innovation	13 374 900	15 155 900	14 531 006	8 814 390
Language and Editorial	1 339 000	989 000	869 240	571 722
<b>Total</b>	<b>161 666 175</b>	<b>161 937 175</b>	<b>158 905 178</b>	<b>151 423 603</b>
<b>% of ECA budget</b>	<b>99.7 %</b>	<b>99.9 %</b>	<b>99.9 %</b>	<b>99.9 %</b>

Source: Directorate of Human Resources, Finance and General Services.



## Highlights of the year

**08** In 2022, the Secretary-General's main priority continued to be the health and safety of ECA staff. This meant monitoring the health situation, closely following developments in Luxembourg and at the other EU institutions, and adapting the workplace.

**09** The year was marked by the return of staff to the ECA buildings after the COVID-19 pandemic. Working arrangements were rethought and extended possibilities for teleworking were developed to allow for new hybrid working patterns. As a result of the enforced removal of the barriers to remote work, virtual and hybrid meetings are also now more common with external stakeholders.

**10** Last year was also the second year of the 2021-2025 ECA strategy. Particular attention was given to the Next Generation EU package, in which connection staff were recruited and trained to fill additional posts in the ECA's establishment plan. The attractiveness of Luxembourg as a place to work continued to pose challenges for the recruitment of highly qualified professionals.

**11** Another important development was the adoption of the first annual report on ECA sustainability – a product of the institution's goal of ensuring its activities have a positive social, environmental and economic impact. The report allows the ECA to measure, disclose and be accountable to internal and external stakeholders for its performance as an organisation in the area of sustainable development.

**12** As in 2021, budget execution continued to be impacted by the health crisis, mainly in the first half of the year. One result was the under-utilisation of initial appropriations on some budget lines, in particular missions, interpretation, meetings and conferences; and to a lesser extent publication and representation expenses. During the year, a series of external events created challenges to the management of the ECA budget. These were the increase in energy prices and high inflation rates, which led to some higher contract costs and an intermediate salary adjustment. Despite these pressures, the ECA did not seek a budget amendment but was able to manage its needs by transferring appropriations between budget lines, where necessary with the approval of the budgetary authority.

## The Secretariat-General's main activities and results

**13** The Secretariat-General contributes to the ECA's strategy for 2021-2025 by means of strategy development plans and priorities in its various areas of competence: IT, human resources, learning and development, language and editorial services, data protection, information security and facilities management. These plans take account of the need for policies, working and workplace arrangements and services to adapt to the post-COVID reality. The main priorities are:

- (1) to recruit, develop and retain highly qualified, knowledgeable and skilled employees, and keep them engaged and motivated throughout their career;
- (2) to foster employee wellbeing by creating a safe and attractive working environment, providing support to staff, ensuring flexible work arrangements, and facilitating the transition from a physical to a virtual workplace;
- (3) to promote the digital transformation, adapting to the new hybrid reality and using new technologies to modernise both audit and non-audit parts of the organisation, simplify procedures and increase productivity;
- (4) to ensure that budgetary resources are managed in accordance with the principles of economy, efficiency and effectiveness;
- (5) to provide prompt and high-quality language and publication services;
- (6) to foster interinstitutional cooperation based on the identification of synergies, contributing to and benefiting from a common interinstitutional approach (horizontal priority).

**14** The achievement of those priorities is quantified by means of business performance indicators (see [Table 2](#)).

**Table 2 – Status of business performance indicators**

Priority	Indicator	Threshold	2022
<b>Human Resources, Finances and General Services</b>			
1.	Level of vacant posts	Green: ≤ 3 % Yellow: > 3 %, ≤ 5 % Red: > 5 %	<b>4.24 % *</b>
2.	Average timeliness of response rate by HR Service Centre	Green: ≥ 90 % Yellow: ≥ 75 %, < 90 % Red: < 75 %	<b>99.3 %</b>
2.	Average professional training days per auditor	Green: ≥ 5 days Yellow: ≥ 4 days, < 5 days Red: < 4 days	<b>6.9 days</b>
2.	Average professional training days per non-auditor	Green: ≥ 2 days Yellow: ≥ 1 day, < 2 days Red: < 1 day	<b>3.6 days</b>
4.	Obtain discharge for the management of the ECA budget and an unmodified audit opinion on the ECA's financial statements	Green: discharge and unmodified audit opinion Red: no discharge and / or a modified audit opinion	<b>Green</b>
<b>Information, Workplace and Innovation</b>			
3.	Critical system availability	Green: ≥ 99.5 % Yellow: ≥ 99 %, < 99.5 % Red: < 99 %	<b>99.9 %</b>
3.	Number of incidents resolved within 24 hours	Green: ≥ 95 % Red: < 95 %	<b>96.2 %</b>
<b>Language and Editorial</b>			
5.	Percentage of translation tasks completed on time	Green: ≥ 95 % Yellow: ≥ 90 %, < 95 % Red: < 90 %	<b>99 %</b>

*Note:* \* Before factoring in the 20 additional temporary posts for the NGEU, the vacancy rate is 1.99 %.

*Source:* SG directorates.

## Directorate of Human Resources, Finance and General Services

**15** SG1-DHR is responsible for human resources, finance, the Medical Service, security, and events and protocol, as well as some general ECA services. It managed nearly 90.6 % of the ECA's 2022 budget (see [Table 1](#)), mainly in the form of Member and staff salaries (see [Table 3](#)).

**Table 3 – SG1-DHR: 2022 budget (€)**

Budget line	Appropriations	Commitments	%	Payments	%
Salaries and allowances	131 422 775	129 881 918	99 %	129 479 793	99 %
Other staff and external services	8 425 000	8 395 469	100 %	8 376 152	99 %
Missions	1 937 500	1 787 362	92 %	1 327 289	69 %
Other staff costs	1 676 000	1 561 286	93 %	1 455 958	87 %
Professional training	800 000	721 299	90 %	496 574	62 %
Vehicles/transport	413 000	349 368	85 %	340 040	82 %
Meetings, events and conferences	341 000	274 590	81 %	237 411	70 %
Representation costs	119 000	21 281	18 %	17 260	15 %
Medical and social service	216 000	187 501	87 %	156 665	73 %
Other administrative expenditure	442 000	324 859	73 %	150 349	34 %
<b>TOTAL</b>	<b>145 792 275</b>	<b>143 504 932</b>	<b>98 %</b>	<b>142 037 491</b>	<b>97 %</b>

Source: Directorate of Human Resources, Finance and General Services.

**16** Last year was an exceptional one for human resources owing to the urgent recruitment challenge of filling the 20 new temporary posts in the ECA's establishment plan for NGEU tasks. The directorate organised the necessary competitions but had to deal with an unprecedented number of refusals by successful candidates because of (a) the cost of living in Luxembourg, (b) the unattractiveness of switching to the ECA from the current employer, and (c) competition with Brussels.

**17** The directorate was an active participant in the interinstitutional working groups set up to examine ways of increasing the attractiveness of Luxembourg as a place of employment. To increase the ECA's visibility as a recruiting institution, the directorate used new channels (LinkedIn, MooviJob, newspapers) to publish a number of selection procedures, and adapted the text of vacancy notices / calls for expressions of interest to the countries being targeted.

**18** To address the first priority of the Secretariat-General (see paragraph 13), other procedures were run to recruit junior professionals, and a start was made on organising an EPSO competition for auditors. In order to further diversify the resources and profiles available for audit tasks, a call for expressions of interest was published for very experienced external experts with specialist knowledge in 16 areas of interest to the ECA. Another call was held for national experts to address the issue of geographical balance. Five officials were also welcomed, under an extraordinary procedure, from the Ukrainian Supreme Audit Institution. Internally, the directorate organised procedures to appoint new managers, and published several vacancy notices for different positions across the ECA. [Table 4](#) summarises the ECA's recruitment activity during the past four years.

**Table 4 – New Members and staff, 2019-2022**

	2019	2020	2021	2022
Members	2	3	1	5
Officials	17	18	16	33
Temporary staff	33	21	21	47
Contract staff	21	20	30	16
National experts	6	3	13	11
Trainees	55	44	56	60
<b>TOTAL</b>	<b>134</b>	<b>109</b>	<b>137</b>	<b>172</b>

Source: Directorate of Human Resources, Finance and General Services.

**19** In the area of training, while constantly striving to provide an extensive range of courses, particular attention was paid to audit needs, especially in the field of the NGEU, and to new training programmes both for heads of task and on the use of data and technology in audit. More focused initiatives were also developed, such as a week of training in ethics, talks on the cohesion policy area and a series on foresight, along with the Leadership and Development Programme and a new internal resilience coaching programme. Several information sessions were organised to guide staff through the new working arrangements.

**20** In the area of employee wellbeing, the Secretariat-General's second priority (see paragraph 13), an important achievement was the adoption of a new policy for ensuring a respectful and harassment-free workplace. A number of implementing, communication and reporting measures will follow in 2023, to be complemented by some activities focusing on diversity and social inclusion. A new ophthalmologist arrived at the ECA and started to carry out annual check-ups, and staff continue to have access to work-related psycho-social support. PCR-testing for COVID-19 was discontinued from April, but the COVID-19 pandemic and, more recently, the monkey pox pandemic, are still a concern for the Medical Service.

**21** Other important activities were:

- o the issuing of guidelines for interviewers to improve their effectiveness at identifying the best candidates;
- o the ECA Active Senior programme;
- o an update of the ECA's ethical guidelines following an evaluation of its ethical framework by an independent consultant.

**22** Regarding security, the main developments were an update of the ECA's business continuity plan, consolidation of the procedure for granting access to sensitive areas, and the first large-scale fire drill since 2019.

**23** Lastly, the Events, Visits and Protocol service continued to provide organisational support for events and assistance with the protocol for official visits to the Court, which resumed in 2022. High-level events were organised, such as a meeting of the Contact Committee of EU Supreme Audit Institutions, the Commission-ECA annual meeting, the annual ECA seminar and a conference of the INTOSAI Professional Standards Committee. The service also organised the first post-pandemic summer party and coordinated charity action in support of Ukrainian refugees.

**24** In the area of finance and general services, the focus was on the quality and speed of payments and on increasing the share of electronic invoices. Execution of the 2022 budget focused strongly on monitoring the evolution of the budgetary situation throughout the year, given the uncertainty surrounding, among other things, the level of salary increases and energy prices. The external auditors gave a clean opinion on the ECA's 2021 financial statements.

## Directorate of Information, Workplace and Innovation

**25** SG2-DIWI is responsible for establishing and maintaining the ECA's digital (IT equipment, services and devices) and physical workplace (buildings, technical facilities, offices and logistics), as well as stimulating innovation and managing the ECA library. It manages 8.2 % of the ECA budget (see [Table 1](#)) and directly addresses the Secretariat-General's priorities (see paragraph [13](#)). [Table 5](#) gives details of 2022 budget appropriations and payments.

**Table 5 – SG2-DIWI: 2022 budget (€)**

Budget line	Appropriations	Commitments	%	Payments	%
Information technology	9 193 225	9 193 126	100 %	5 746 775	63 %
Building and facilities	5 367 675	4 742 880	88 %	2 576 898	48 %
Library and archives	595 000	595 000	100 %	490 717	82 %
<b>TOTAL</b>	<b>15 155 900</b>	<b>14 531 006</b>	<b>98 %</b>	<b>8 814 390</b>	<b>58 %<sup>(1)</sup></b>

*Note:* (1) As projects are often multiannual, many payments are made the following year.

*Source:* Directorate of Human Resources, Finance and General Services.

**26** Last year was particularly challenging for the directorate. The war in Ukraine increased the need for vigilance to the risk of cybersecurity attacks. A new cybersecurity plan was developed (for 2022-2024) and several phishing campaigns were organised. Supply chain disruption affected the delivery of laptops and servers, and this problem was aggravated by price increases due to high inflation. The additions to the ECA's establishment plan meant greater demand for office space.

**27** The transition to a hybrid working environment led to building upgrades focusing on the strengthening of facilities for videoconferencing and hybrid meetings, and the installation of a TV studio. To promote the use of technology and innovation in audit, the directorate put in place a new Data Warehouse service structure, opening new possibilities for auditors to clean, combine and visualise data, and integrated a range of IT applications to better streamline the work of audit and the use of IT resources. The data and technology for audit (DATA) team, established in 2021, continued to implement the development plan for better use of technology in support of the ECA audit objectives.

**28** Renovation work continued in the K2 building and will be completed in 2023. A new set of proposals for the future of the K1 building is being drafted and will be discussed in 2023. To deal with the energy crisis, the ECA followed the recommendations of the Luxembourg government on limiting the temperature of buildings to 20°C, and took further steps to achieve the 15 % reduction in gas consumption that was proposed last July in the EU plan “Save Gas for a Safe Winter”. An energy audit carried out during 2022 also resulted in an ambitious plan, still being implemented, to reduce energy use; and a project was launched to reduce greenhouse gas emissions. Finally, the ECA’s EMAS certification was renewed for 2023-2025 and the institution published its first annual sustainability report.

**29** All these activities were in addition to the regular maintenance of current building infrastructure, the handling of tickets and system releases, which provided critical systems availability of 99,9 % and guaranteed the 100 % stability of hybrid working technology (for both teleworking and on-site).

**30** Finally, the ECA library continued delivering its services to our institution. Two Discovery collections were launched: “ECA special reports” (a topic-based search tool) and “Trends in translation”.

## Language and Editorial Directorate

**31** SG3-LED is responsible for the translation and publication of all ECA products in the 24 official EU languages. The directorate manages less than 1 % of the ECA budget (see [Table 1](#)). [Table 6](#) gives details of 2022 budget appropriations and payments.

**Table 6 – SG3-LED: 2022 budget (€)**

Budget line	Appropriations	Commitments	%	Payments	%
Outsourcing and interinstitutional cooperation	664 000	659 455	99 %	406 955	61 %
Interpreting	125 000	66 116	53 %	27 636	22 %
Publication	200 000	143 669	72 %	137 131	69 %
<b>TOTAL</b>	<b>989 000</b>	<b>869 240</b>	<b>88 %</b>	<b>571 722</b>	<b>58 %</b>

Source: Directorate of Human Resources, Finance and General Services.



**32** During 2022, the directorate continued to address the Secretariat-General's priorities (see paragraph **13**). It received 2 686 translation requests, and 203 709 pages were translated and revised (23 294 pages fewer than in 2021), including 21 133 pages of outsourced work. The FastTrad service, which provides a 24-hour turnaround for translation and editing of short texts in English and French, accounted for 1 260 pages. In 2022, for the first time, all ECA products were translated into Irish. 99 % of translations were completed on time, well above the target of 95 %. The revision rate significantly dropped in 2022, freeing resources for work on other activities, including the new translation management system that will start to be used in the first half of 2023.

**33** The directorate also continued to diversify its activities outside translation/revision with the extensive development of language assistance for auditors and collaboration in the area of communication. Translators completed 31 linguistic assistance missions during the year – more than in 2021 (15 missions) due to the lifting of COVID-19 mobility restrictions and the more intense use of remote and hybrid technology. A school of language assistance has been organised on a monthly basis since September 2022 to support the diversification of LED activities. This offers translators training in language assistance for ECA needs. Among other diversification activities in 2022, close collaboration was pursued with the ECA press office on the drafting and editing of press releases in such a way as to take account of specific cultural and national characteristics.

**34** The English Language Services team provided in-depth editing and drafting assistance with the vast majority of ECA products during the year. The team is a partner at all stages of the reporting process, from help with task plans to the review of press releases announcing the publication of the final product. In the case of the annual report, it also attended most pre-adversarial and adversarial meetings to provide language advice as the text was discussed with the Commission.

**35** Regarding the provision of external interpretation services, in 2022 the directorate dealt with three external service providers: the European Parliament's interpretation service, the Commission's interpretation service and a partner in the private sector (whose contract ended in August 2022). At present, most requests for interpretation relate to audit activity and are covered in-house by ECA translators (as part of their language assistance activity) (see paragraph **33**).

**36** LED has continued to work on implementing its new system for managing translation, language services and publication workflows. An important first milestone was reached when the FastTrad service went live in March 2022. The project is now continuing for LED's main workflows, from planning to pre-processing, translation/revision and post-processing tasks. The full go-live is planned during the first half of 2023.

## Data Protection Officer

**37** The DPO reports directly to the Secretary-General and manages no expenditure. In 2022, the DPO continued to provide expertise on data protection law and practices and to monitor application of the EU data protection regulation ('[EUDPR](#)'). The team also advised staff by issuing notifications of processing activities, privacy statements, personal data breaches and other matters relating to personal data. It also developed a number of training courses and guidance material on data protection matters.

## Information Security Officer

**38** The ISO likewise reports directly to the Secretary-General and does not manage any expenditure. The team works in close cooperation with the IT security officers, the DPO, the archivist and the Safety and Security Service.

**39** In 2022, the ISO continued to organise awareness-raising activities on information security, chiefly by organising phishing campaigns and publishing information security newsletters. The team also continued to deliver training for newcomers and, at the ISO's own initiative, started delivering training to new Members. It prepared specific activities to mark European Cybersecurity Month and Safer Internet Day and delivered ad-hoc training. It regularly welcomed information security trainees. Other important activities in 2022 were (a) ECA Talk sessions, at which experts share their knowledge on specific topics of public interest by means of a monologue addressed to a virtual audience, (b) Q&A sessions with a guest interviewee, and (c) an ECA movie showcasing common cybersecurity bad practices.

## Procurement in the Secretariat-General

**40** In 2022, the ECA used one negotiated procedure under paragraph 11.1(b) of Annex I to the Financial Regulation to conclude a contract with a value over €60 000. The purpose of the contract was to renew the ECA's Financial Times corporate subscription for 2023. The value of the contract was €79 086. The FT is the most reputable English-language business newspaper and provides comprehensive information about EU policies, and it has no reasonable equivalent or substitute. The current licence allows all staff to access the FT's digital content both inside and outside the institution.

**41** The annual list of contracts, including those worth between €15 000 and €60 000 that were concluded in 2022 following a negotiated procedure, will be available on the ECA website by 30 June 2023.

**42** All negotiated procedures valued at more than €15 000 were subject to the ECA's rigorous internal procedures covering legality, regularity and sound financial management.

# Results of the Secretariat-General's internal control systems

## Internal control systems

**43** The Secretariat-General operates within a legal framework that includes:

- o the Financial Regulation;
- o the Staff Regulations;
- o the ECA's internal control framework;
- o the ECA's rules of procedure;
- o the internal rules for implementing the budget;
- o the charter of tasks and responsibilities of authorising officers by sub-delegation;
- o all decisions regarding the use of the ECA's human, material and financial resources.

**44** The ECA's internal control framework supplements the legal framework with a view to aligning it with the integrated internal control system established by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO framework). It is designed to provide reasonable assurance regarding the legality, regularity and sound financial management of all financial transactions, and facilitates the achievement of each directorate's operational objectives.

**45** The main change in internal control systems last year came when the Paymaster Office of the Commission (PMO) reviewed its global control strategy following an internal reorganisation in January 2022. The PMO is authorising officer for the ECA's payroll and for the management of retirement and survivor's pensions and invalidity benefits, all of which accounts for roughly 85 % of the ECA budget. The strategy now makes all entitlements fully subject to ex-ante controls<sup>1</sup>, while there are ex-post controls on a random sample of all payments managed by the PMO.

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<sup>1</sup> Except for the automatic validation (without checks) of European School attendance by children using the school bus.

**46** The remaining internal control procedures did not change significantly in 2022, and the organisation of administrative procedures was also unchanged. For SG2-DIWI these are based on the principles of COBIT 5<sup>2</sup>. They consist of management supervision, preventive and detective controls, and automated controls embedded in information systems covering all of the Secretariat-General's main business processes.

**47** Financial business processes are managed using SAP software, which allows a proper separation between initiation, verification and validation by the authorising officer. The system covers budgetary management, fund reservations, commitments, purchase orders and contract and invoice control, all in accordance with the Financial Regulation and the ECA's internal rules and procedures. It also provides automated controls to prevent errors in the processing of financial data. In addition, staff initiating processes and performing verifications follow checklists to assess compliance with the Financial Regulation provisions on budgetary commitments and payment orders.

**48** All three directorates established a programme of checks for evaluating compliance with the Financial Regulation and Court decisions, and the directors sent declarations of assurance to the Secretary-General in their capacity as authorising officers by sub-delegation. Complementary declarations of assurance were given by other ECA directorates, departments and Members' offices that authorised expenditure during 2022 (see paragraph [07](#)).

**49** SG1-DHR based its control programme on the risk analysis for 2022, the results of checks carried out for 2021, exchanges with the PMO, the recommendations of the internal and external auditors, and other information arising in 2021. The programme consists of ex-ante and ex-post controls and focuses primarily on financial aspects but also on non-financial risks. The PMO checks the ECA's payroll and the financial rights of staff. [Table 7](#) summarises the control programme.

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<sup>2</sup> COBIT 5 is an international IT governance framework and structures IT tasks into generic processes and control objectives. COBIT provides a framework, an umbrella, for IT governance across the entire organisation.

**Table 7 – SG1-DHR controls**

No	Subject of control	Type
1	Financial rights and remuneration of ECA staff and Members (managed by PMO)	Ex-ante and ex-post by PMO Ex-post by ECA <sup>(1)</sup>
2	Legality and regularity of payments on the budget lines managed by SG1-DHR	Ex-post
3	Mission costs settled by the PMO	Ex-ante <sup>(2)</sup> /ex-post
4	Representation costs of ECA staff and Members	Ex-ante/ex-post
5	Internal events	Ex-ante/ex-post
6	Fuel and mileage costs of official vehicles	Ex-ante
7	Petty cash and wine cellar	Ex-post
8	Time management (including teleworking)	Ex-post
9	Absences	Ex-post
10	Completeness of personal files of ECA staff and Members	Ex-post

*Notes:* (1) only to complement the PMO's controls; (2) SG1-DHR only carries out ex-ante checks on the missions it manages; other missions are checked ex-ante by the responsible directorates/departments.

*Source:* Directorate of Human Resources, Finance and General Services.

**50** SG2-DIWI based its controls on the results of the 2023 risk register review, the 2022 process maturity assessment and follow-up of internal audit recommendations. Account is also taken of checks by external auditors in the context of the annual IT review. The control programme consists mainly of processes inspired by the COBIT 5 framework and applied to IT and, where relevant, facilities management.

**51** Except for the Library and Archives budget line, until September 2022 there were ex-ante controls of all financial transactions in SG2-DIWI to identify non-compliance with the Financial Regulation and any administrative errors (e.g. incorrect references, wrong dates in text fields, missing non-critical attachments). Owing to the scarcity of resources, no ex-ante controls were possible in the last quarter of 2022. However, they will be resumed in 2023 when resources become available again.

**52** The controls embedded in process management protocols are complemented by ex-post checks. In 2022, these covered:

- o the procurement of a low-value contract to verify compliance with the €15 000 threshold set in the Financial Regulation for cumulative acquisitions from the same vendor;
- o payments from credit cards accounts;
- o asset management – the process for the reception of goods using an agreed delivery service;
- o the use of licences for IT software;
- o local administrative rights on laptops;
- o the management of user requests;
- o monitoring of and compliance with contractual key performance indicators;
- o monitoring of project indicators for projects run by project steering committees;
- o the development quality and efficiency of testing and release procedures.

**53** The SG3-LED control programme was based on the risk analysis for 2022 and the results of checks for 2021. It focused on financial aspects, the quality of linguistic services and the directorate's IT and organisational arrangements. Ex-post controls covered:

- o the legality and regularity of payments on the budget lines managed by the directorate;
- o the quality of translations provided, complemented by analysis of the comments made through a user feedback system;
- o the effectiveness and quality of the support provided to directorate staff using computer-assisted translation (CAT) tools.

## Overview of risk management

**54** Since 2016, and the adoption of the ECA's risk management framework, all audit chambers and directorates have been required to perform a risk analysis of their activities. The analysis must include a description of the potential impact if a risk materialises, the corresponding internal controls and the action taken to reduce the likelihood of occurrence and the potential impact. Risk management action plans are taken into account in the design and implementation of both ex-ante and ex-post checks. The results of these checks then feed into the annual declaration which each authorising officer by delegation makes in their annual activity report, and into the following year's risk assessments. The design of internal control systems also takes due account of the cost-effectiveness of controls.

**55** The main risks identified by the risk assessment cycle for 2022 concern:

- The impact of the external economic and political situation (e.g. disruption of supply chains, inflation, war) on the ECA's resources and work patterns, including adaptation to the new reality of hybrid work and the safety and health of staff.
- Non-compliance with the Financial Regulation provisions on the legality and regularity of payments and the economy, efficiency and effectiveness of activities.
- Dependence on outsourcing and the quality of outsourced services (including those of the Commission).
- Data breaches or non-compliance with the data protection rules, including incidents caused by cyber-attacks. This risk also relates to the danger that opportunities cannot be seized owing to the administrative burden of setting up a complex legal and reporting framework in response to security and data protection constraints.
- Inadequate resource levels owing to restrictions on budget increases and difficulties in meeting recruitment needs while ensuring a satisfactory work/life balance for staff.



## Efficiency and effectiveness of internal control systems

**56** All directorates examined the results of their ex-ante and ex-post controls in January 2023. The checks did not reveal any major weaknesses in the internal control systems. The directors also reviewed the status of all pending internal audit recommendations to ensure they would be implemented on deadline. The Secretary-General examined the information in the three directors' internal control reports before signing his declaration of assurance in accordance with Article 74(9) of the Financial Regulation.

### Directorate of Human Resources, Finance and General Services

**57** The checks which SG1-DHR made of its own mission costs, representation costs, spending on internal events and the fuel and mileage costs of official vehicles (items 3, 4, 5 and 6 in [Table 7](#)) did not reveal any major issues.

**58** Since the internal reorganisation of the PMO in January 2022, the results of ex-ante controls of ECA expenditure (item 1 in [Table 7](#)) have no longer been shared with the institution because they are available in Sysper (and therefore, according to the PMO, ECA administrators have access to them). The ex-post controls were performed based on the PMO's control strategy and resulted in a low error rate (0.41 %) for the salaries, pensions, unemployment and 'transfer out' transactions controlled. To ensure there are comprehensive checks of the remuneration of ECA staff and Members to complement the PMO's controls, SG1-DHR examined this part of the budget ex-post in 2022. The following points were covered:

- whether the PMO had correctly assessed the financial entitlements of Members and newly recruited officials and temporary staff, including those returning to the ECA after more than one year of absence or transferred from the Parliament;
- whether salary payments to the Members and a sample of staff were correct.

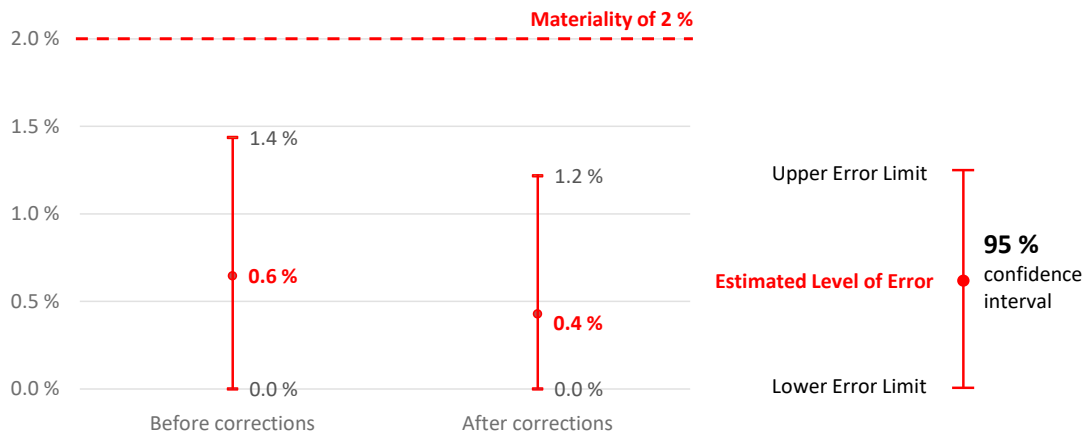
**59** The financial rights of the Members and selected staff had been correctly assessed and supported by relevant documentation, and the amounts granted had been correctly calculated. The remuneration payments were also generally accurate, and adequately documented, during the control period. A few minor weaknesses were forwarded to the PMO for correction as necessary and will continue to be followed up by the ECA.

**60** Ex-post checks were made on the legality and regularity of a random sample of 120 payments from the budget lines for which the directorate is responsible (item 2 in

[Table 7](#)), representing roughly 13 % of all payments in the control sample. Three further payments were added to the sample on the basis of a risk assessment. Most payments were legal and regular and supported by the relevant documentation. Formal non-compliance with no financial impact was nevertheless found in nine payments (including three outside the sample of 120 payments), and one payment had a minor financial error of €3.04. One payment should have been in the accounts for 2021, and in eight cases the budgetary commitment was made after the legal commitment. These cases were included in the ECA's exceptions register. Staff were reminded of the rules and procedures, support to familiarise new recruits with the rules and procedures was reinforced, and one training session was organised on a change in procedure. Guidance will be developed to further strengthen compliance with the rules.

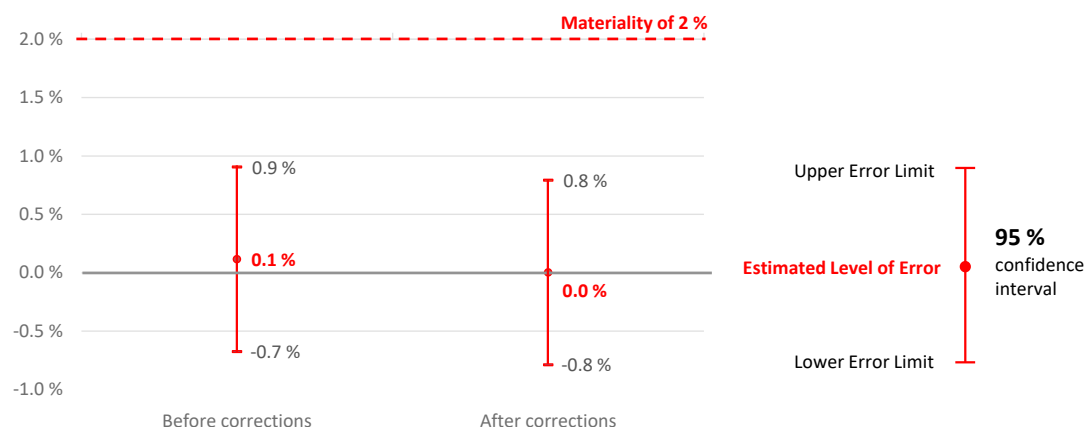
**61** A new methodology for checking the reimbursement of mission costs (item 3 in [Table 7](#)) was developed in 2022 to ensure consistency in the approach to controls across all ECA directorates and departments. Checks focused on the accuracy of the mission costs reimbursed to ECA staff and Members and compliance with the mission and accounting rules. A sample of 150 missions selected by monetary unit sampling was divided into three risk strata. Where relevant, the checks were extended to related missions, mainly to verify consistency with the cost declarations of other staff participating in the same mission. This entailed partial checks of 55 additional missions.

**62** All quantifiable errors were consolidated to calculate an estimated level of error in mission costs before and after corrections. The error rate calculation took into account the errors found in all other checks on missions (see paragraph [66](#)). Errors above €50 were communicated to the PMO for correction. The checks did not reveal any material errors. The estimated level of error before corrections to the ECA's mission costs was 0.6 %, or 0.4 % after corrections. There is 95 % confidence that the level of error was below 1.2 % after corrections ([Figure 2](#)).

**Figure 2 – Estimated level of error in mission costs**

Source: Directorate of Human Resources, Finance and General Services.

**63** Quantifiable errors were found in 26 missions in the main sample and nine in the other missions controlled (see paragraph 66), 16 of them above €50. It should be noted that the estimated level of error does not correspond to the impact of the errors on the ECA budget. Of the 26 errors, 18 were overpayments and eight were underpayments. The estimated level of error after corrections to the ECA budget for missions was close to 0 % (Figure 3).

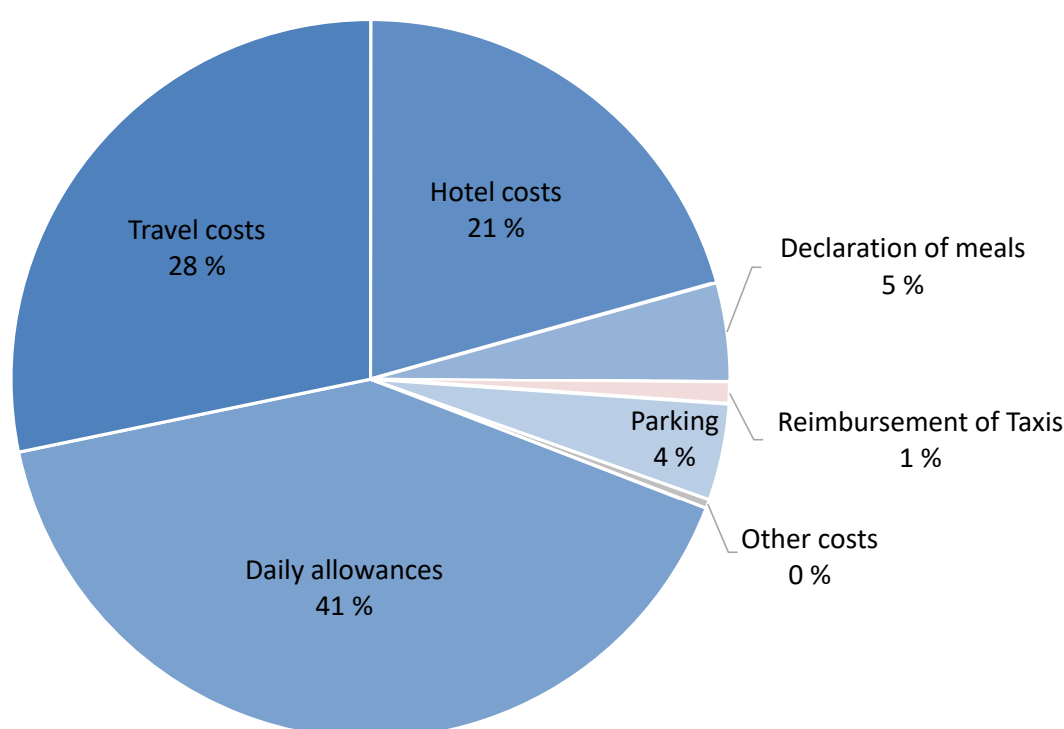
**Figure 3 – Estimated level of error in the ECA budget**

Source: Directorate of Human Resources, Finance and General Services.

**64** As expected, the vast majority of errors (88 %) were found in missions combined with private arrangements. Three missions accounted for 45 % of the total amount of error. Errors were most common in the calculation of daily allowances and the reimbursement of travel costs (see [Figure 4](#)). The checks also highlighted non-quantifiable weaknesses in the approval of 31 mission costs, mostly in the form of incomplete or inadequate supporting documentation.

**65** Checks of mission costs were also undertaken by directors and by those heads of cabinet who had authorized such costs in their capacity as authorizing officers by sub-delegation. The directors and heads of cabinet gave declarations of assurance on these costs to the Secretary-General. The checks did not reveal any significant errors in mission procedures in 2022. The use of ex-ante controls for the vast majority of missions allows most anomalies to be corrected before the mission takes place.

**Figure 4 – Categories of mission costs found to contain errors**



Source: Directorate of Human Resources, Finance and General Services.

**66** The missions controls also included horizontal ex-post verifications for additional assurance on mission costs:

- confirmation that mission orders and cost declarations were authorised by the appointed authorising officers by sub-delegation (paragraph 67);
- verification that authorisation was obtained prior to the mission start date (paragraph 67);
- follow-up of refunds for plane tickets bought by the travel agency and not used by the member of staff (paragraph 68);
- accounting cross-checks between the costs settled in the missions application MiPS and the costs entered in SAP (paragraph 69);
- consistency checks on the declaration of leave days, mission days and teleworking in MiPS and Sysper (paragraph 70);
- verification that daily subsistence allowances were reimbursed in accordance with the ECA rules for calculating allowances by quarter, half or full days (paragraph 71);
- verification of all cost declarations for missions to Brussels not departing from or returning to Luxembourg (paragraph 72);
- verification of advance payments (paragraph 73).

**67** Analysis of the validation of missions and costs declarations in MiPS shows that the vast majority were authorised by the appointed authorising officers by sub-delegation. Nevertheless, 23 mission orders and 16 cost declarations were validated without formal authorisation. The staff concerned were reminded that validations must be performed by the competent authorising officer, and the procedure put in place the previous year was strengthened. These cases will be recorded in the ECA's exceptions register, which will also include a record of 62 missions that were authorised after the mission start date, which is contrary to the principle that budgetary commitments must come before legal commitments.

**68** The checks led to the recovery of 82 % of all unused tickets in 2022. Losses were limited to 1.4 % of the total cost of unused tickets, thanks also to the practice introduced in 2022 of opting for flexible/semi-flexible tickets for business-class travel. The checks indicate that the recovery of unused flight tickets was managed effectively.

**69** Cross-checking the costs settled through MiPS with those shown in SAP revealed a difference of €16 684.43 (1.3 % less in SAP than in MiPS). As the ex-ante control procedure is well established, the situation has been monitored since the beginning of 2022. This situation does not provide full assurance in respect of the IT system and is therefore recorded in the exceptions register.

**70** Consistency checks on the declaration of leave days, mission days and teleworking in MiPS and Sysper revealed several problems in Sysper due to incorrect time recording by staff and automatic deductions. In the vast majority of cases, staff recorded less time than they were entitled to or recorded mission days as teleworking or work at the workplace. The time records will be corrected, staff will be informed about the results of the checks, and time recording will be included in training for newcomers. Time recording in Sysper will also gradually evolve towards greater automation.

**71** Checks on daily subsistence allowances revealed that the vast majority of daily allowances were paid in accordance with the missions guide, namely by quarter, half or full days. The checks also showed that the daily allowances paid corresponded to the amount set for each country (except for missions in more than one country, where the missions guide does not specify which rules apply).

**72** The main purpose of checks on missions specifically to Brussels but not departing from or returning to Luxembourg was to verify that the travel costs reimbursed by the PMO corresponded to the cost of the notional journey by train. No significant errors were detected.

**73** Checks were made on mission advances to verify that full or partial advance payments were reimbursed to the ECA if a mission was cancelled or cost less than the amount advanced. No errors were detected.

**74** Given the extent of these checks and the non-materiality of the errors found, it can reasonably be concluded that the system for the control of mission costs is effective.

**75** Checks on representation costs (item 4 in [Table 7](#)) were expanded in 2022 and covered:

- o compliance of Members' representation costs with the relevant decisions, including the new decision that came into force on 1 March 2022;
- o a cross-check between Members' declarations of meals received during missions and the meals reimbursed under representation costs; and
- o the soundness of the representation costs of staff.

**76** It was concluded that the costs were mainly incurred in line with the relevant decisions and had documentary support. An exception to this was the balance between internal and external guests, which did not meet the requirement in the new rules for Members. This item will be included in the ECA's exceptions register. The checks also highlighted the importance of attaching supporting information to certain costs and better classifying certain expenses that are not representation costs. The cross-check of meal declarations did not reveal any instances of double reimbursement.

**77** Checks of expenditure on internal events (item 5 in [Table 7](#)) were introduced in 2022 to verify the compliance with a decision adopted in mid-September. All costs had documentary support and complied with the new rules. However, the available information was not always sufficient to corroborate who actually attended events, so a procedure was developed to improve documentation of this aspect.

**78** The programme of ex-post controls on the time management of staff (item 8 in [Table 7](#)) was expanded to include controls on teleworking, which became a standard working arrangement in 2022, requiring the adoption of a new method for time-recording and rules on hybrid working. A total of 11.5 days of annual leave were recovered, and a significant number of cases of staff exceeding the monthly ceiling for teleworking were detected – mainly due to medical reasons, errors in the recording of teleworking days or a misunderstanding of the rules. However, the ceilings for teleworking from abroad were largely complied with, as were the teleworking rules for translators. Cases of non-compliance were included in the ECA's exceptions register and will be communicated to the directors and principal managers. As staff become more familiar with the system and the rules, non-compliance should tend to decrease. The rules will continue to be disseminated and better explained in the relevant documents.

**79** Checks on absences (item 9 in [Table 7](#)) resulted in:

- o the reclassification as annual leave of 3.5 days of sick leave taken without a medical certificate in excess of the limit;
- o the suspension of allowances for four members of staff on sick leave for more than 30 days;
- o the recovery of 5.5 days in connection with the time-recording rules for Friday afternoons;
- o the granting of 40 periods of part-time work for medical reasons;
- o the re-evaluation of six cases of invalidity and the opening of a new one;
- o eight medical checks.

**80** Checks on personal files (item 10 in [Table 7](#)) focused on a random sample of 15 members of staff and 5 Members. The vast majority of the documents targeted by the checks were found to be available, but they were not all stored correctly in the IT system (NDP). Incomplete or unsuitable documentation was found in support of the declared place of residence (nine cases) and civil status (one case). Most files contained documents with details of family members, including the spouse's salary, that were needed for the assessment of financial entitlements. Internal procedures will be put in place to collect documentation from newly recruited staff and to record documentation in the appropriate IT system. Corrections will also be made where documents were found to be missing or unsuitable. The results of these checks were forwarded to the PMO.

**81** Checks on petty cash and the wine cellar (item 7 in [Table 7](#)) did not reveal any major issues. A total of eight cases of non-compliance and one exception were recorded in the exceptions register. One case had a minor financial impact, and in all cases measures were put in place to remedy the situation.

## **Directorate of Information, Workplace and Innovation**

**82** The SG2-DIWI controls on financial transactions in SAP did not reveal any significant errors. Out of 2 038 SAP transactions, including purchase orders, payment requests and invoices, only 68 were returned for correction by the initiating member of staff, a small increase over 2021. Most returns were justified by the need for additional documentation or to correct other administrative errors.



**83** The directorate's ex-post controls (see paragraph 52) did not reveal any significant errors or weaknesses. Detailed results are presented in [Table 8](#).

**Table 8 – Results of SG2-DIWI ex-post controls**

Control	Result
Low-value contracts	Exceptional cases were explained or corrective measures were taken.
Imprest account with credit cards	One formal case of non-compliance with the annuality principle, relating to a payment in 2022 charged to 2021. Included in the exceptions register.
Asset management	The delivery service is necessary and works properly. Improvements proposed regarding the registration and tracing of goods to help with the annual inventory.
Licences	Unused licences were discontinued. Those requiring renewal were identified; there will be an analysis to look into adapting the number of licences to their use.
Access rights	One account was kept disabled, another was disabled and a third was moved to the local admin group.
User requests	All but one of the sampled requests were correctly managed. One request had been misunderstood so the ticket did not deliver the expected result.
Contractual KPIs	One exception found. A penalty procedure has been initiated and a debit note has been issued.
Project steering committees	Of the 21 projects verified, 14 had correctly planned meetings with the PSC, 6 did not mention or had no proper record of planned meetings, and in one case the absence of a meeting was duly justified.
Development quality	Some streamlining is necessary to make it possible to properly assess development quality, and improvements were proposed for that purpose.

Source: Report on the results of the internal control systems of SG1-DHR and SG2-DIWI.

## Language and Editorial Directorate

**84** Overall, ex-post controls on the legality and regularity of payments made from the budget lines for which the directorate is responsible concluded that payments were legal and regular and the required documentation was available. Two cases of non-compliance were detected where a legal commitment was not covered by a budgetary commitment for a few days. These cases were included in the ECA's exceptions register.

**85** As in 2021, the Parliament assessed the quality of translations. It focused on the work of the ten language teams whose principal managers were unable to carry out

quality controls because they had a different mother tongue, and three other teams that volunteered for the exercise and could be accommodated by the Parliament.

**86** Ten documents were selected from each of the 13 teams with the aim of covering the main types of ECA products, and two pages of each document were then checked (total  $2 \times 10 \times 13 = 260$  pages). Twelve of the 13 teams were given an average score above 90 %. Of the 130 documents reviewed, 44 obtained the maximum score (100 %) and 8 were scored lower than 80 %. In each of these cases, the evaluators' remarks were analysed and the necessary improvements were put in place. Translation quality was also checked on the basis of comments sent by the directorate's internal and external clients. In 2022, more than 60 comments were received, mainly from ECA staff.

**87** Given the largely positive results, the principal managers of all language teams concluded that their translations were of acceptable quality and sent declarations of assurance to the Director.

**88** An additional quality control consisted of checks on the visuals of six reports that were ready for publication, focusing on the clarity of the text and graphics, compliance with the conventions for the cover page and more detailed analysis of the text (compliance with the rules on footnotes, hyperlinks, visual elements, etc.). No major issues were detected.

**89** CAT tools are widely used by all language teams, although the English team has some different processes owing to the specific nature of its work. There were ex-post checks on the effectiveness of technical assistance. A total of 939 requests for assistance were analysed and a survey was made of the CAT support team's working processes. This resulted in a number of recommendations, including the need for further training.

### **Directorate of the Presidency and the Legal Service**

**90** The Directorate of the Presidency is responsible for the ECA budget line covering communication and interinstitutional relations, which had appropriations of €154 000 in 2022. The Legal Service is responsible for the budget line for legal costs and damages, which amounted to €50 000. The internal control system did not detect any significant errors on these budget lines.

## Conclusion regarding internal control systems

**91** The programme of ex-ante and ex-post checks for 2022 showed that the Secretariat-General's internal control system functioned efficiently and satisfactorily, and that its directorates were able to manage financial and non-financial risks. Some non-material errors were identified, as well as the need to revise some procedures. The cost of controls (around 16.9 FTEs) is considered reasonable. The review also demonstrated the robustness of the management system, which is based on integrated software and includes a significant number of automatic controls.

**92** In 2022, as a result of the Internal Audit Service's recommendations, the internal control system also gave greater emphasis to checks on missions, the impact of the new working arrangements on the checks to be performed, and the reporting of exceptions.

**93** The Internal Auditor's conclusion on internal control systems for 2022 is positive overall: reliable controls are in place for most high-risk areas of the Secretariat-General's work, and the segregation of duties between different staff members for ex-ante and ex-post controls has been adhered to. No major shortcomings have been identified that would seriously call into question the reliability of the declarations of assurance as regards the legality and regularity of financial operations in 2022.

## Declaration by the authorising officer by delegation

**94** I, the undersigned, Secretary-General of the European Court of Auditors, in my capacity as authorising officer by delegation, hereby:

- declare that the information contained in this report is true and accurate; and
- state that I have reasonable assurance that:
  - the resources assigned to the activities described in this report were used for their intended purpose and in accordance with the principles of sound financial management;
  - the control procedures in place provide the necessary guarantees concerning the legality and regularity of the transactions underlying the accounts and ensure that allegations of fraud, or suspected fraud, are handled appropriately; and
  - the costs and benefits of controls are proportionate.

**95** This assurance is based on my judgment and on the information at my disposal, such as the reports and declarations of the authorising officers by sub-delegation, the reports of the internal auditor and the reports of the external auditor for previous financial years.

**96** I confirm that I am not aware of anything not reported here which could be detrimental to the interests of the institution.

Done at Luxembourg, 31 March 2023.



Zacharias Kolias  
Secretary-General

## Annexes

### **Annex I – Report on budgetary and financial management for 2022**

Please click [here](#) to access the document.

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