

9 January 2019  
RB(2019)00008

## **CEDEFOP INTERNAL CONTROL PRINCIPLES**

### **Components, principles and characteristics of Cedefop's Internal Control Framework**

REFERENCE: Regulation (EC) No 178/2002, European Commission Revision of the Internal Control Framework, C(2017)2373 final

#### **Whereas**

- I. The Cedefop Financial Regulation stipulates in Article 30 that the Authorising Officer shall, in accordance with the minimum standards adopted by the Governing Board on the basis of equivalent standards laid down by the Commission for its own departments and having due regard to the risks associated with the management environment and the nature of the action financed, put in place the organizational structure and the internal control systems suited to the performance of the duties of authorizing officer.
- II. The Internal Control Framework as implemented by the Commission was revised on 19 April 2017. The Internal Control Framework moves away from a purely compliance-based to a principle-based system. The new Internal Control Framework consists of five internal control components and 17 principles.  
The Internal Control Framework is designed to provide reasonable assurance regarding the achievement of five objectives set in Article 30 of Cedefop Financial Regulation: (a) effectiveness, efficiency and economy of operations; (b) reliability of reporting; (c) safeguarding of assets and information; (d) prevention, detection correction and follow-up of fraud and irregularities; (e) adequate management of the risks relating to the legality and regularity of the underlying transactions taking into account the multiannual character of programmes as well as the nature of the payments concerned.
- III. In particular, the Director signs a declaration of assurance in the Annual Activity Report that provides reasonable assurance that the resources assigned to the activities described in the report have been used for their intended purpose and in accordance with the principles of sound financial management, and that the control procedures put in place give the necessary guarantees concerning the legality and regularity of the underlying transactions.
- IV. This document on the Revision of Cedefop's Internal Control Framework will supersede the provisions on Cedefop's Internal Control Standards adopted by Cedefop Governing Board on 12/13 June 2008.

#### **The Governing Board**

- I. Adopts the internal control components and principles set out in this document; these constitute the minimum standards referred to in Article 30 of Cedefop Financial Regulation.
- II. Instructs Cedefop's Director to implement the revised Internal Control Framework as from adoption date and to conduct an overall assessment of the presence and functioning of all internal control components at least once a year and for the first time at the latest in the context of the Annual Activity Report 2019.

## Introduction

Internal control helps Cedefop to achieve its objectives and sustain operational and financial performance whilst respecting rules and regulations. In this way it takes stock of Cedefop's Performance Measurement System<sup>1</sup>. Internal control supports sound decision-making by taking into account risks in the achievement of objectives and where necessary reducing them to acceptable levels through cost-effective controls. Internal control applies to all activities, irrespective of whether they are financial or non-financial.

The revised internal control framework of the Cedefop is designed to provide reasonable assurance regarding the achievement of objectives, including the following:

- Effectiveness, efficiency and economy of operations,
- Reliability of reporting and safeguarding of assets and information,
- Prevention, detection, correction and follow-up of fraud and irregularities, and
- Adequate management of the risks relating to the legality and regularity of the underlying transactions.<sup>2</sup>

Cedefop internal control framework is based on the framework of the European Commission which was revised in 2017 with a view to aligning Commission standards to the highest international standards set by the COSO framework<sup>3</sup>.

The aim of the Commission was to move from a compliance-based system to a principle-based system and to ensure a more robust internal control framework through consistent assessment, while providing the necessary flexibility to enable the framework to be adapted to fit the specific characteristics and circumstances of the Commission<sup>4</sup>.

In order to keep up with these recent changes in the international best practices and following the Commission's revision in 2017, it is appropriate for the Cedefop to update its internal control framework. The revised framework consists of 5 components and 17 Internal Control Principles. Characteristics of each principle have been included to help to define the principles.

**Components:** The components are the building blocks that underpin the structure of the framework. They are interrelated and must be present and effective at all levels of the organisation for internal control over operations to be considered effective.

**Principles:** Each component consists of several principles. Working with these principles helps to provide reasonable assurance that Cedefop's objectives have been met. The principles specify the actions required for internal control to be effective.

**Characteristics of each principle:** The characteristics are based on those of the Commission, but have been defined in such a way as to take into account the specific governance arrangements and the specific situation of the Cedefop. There is no requirement for the Cedefop to assess whether each individual characteristic is in place. The characteristics have been defined to assist management in implementing internal control procedures and in assessing whether the principles are present and functioning.

This framework is a basis for reflection, assessment and action across Cedefop. Its implementation should not be perceived as a bureaucratic requirement. It is a pragmatic exercise in which common sense should be the guiding principle

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<sup>1</sup> Cedefop Performance Measurement System (PMS project, approved 21.7.2007 by Director)

<sup>2</sup> Art. 30 Internal Control of Budget Implementation, Financial Regulations of the Cedefop ref: GB/13/DEC/014 of 20.12.2013

<sup>3</sup> The full text of the Internal Control-Integrated Framework is available at [www.coso.org](http://www.coso.org).

<sup>4</sup> Communication to the Commission: Revision of the Internal Control Framework ref: C(2017) 2373 of 17.04.2017

Component I	Internal Control Principles 1-5
Control Environment	<ol style="list-style-type: none"> <li>1. Demonstrates commitment to integrity and ethical values</li> <li>2. Exercises oversight responsibility</li> <li>3. Establishes structure, authority and responsibility</li> <li>4. Demonstrates commitment to competence</li> <li>5. Enforces accountability</li> </ol>

The **control environment** is the set of standards of conduct, processes, and structures that provide the basis for carrying out internal control across Cedefop. The Management Team set the tone at the top with respect to the importance of internal control, including expected standards of conduct.

## 1. We demonstrate a commitment to integrity and ethical values

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*Characteristics:*

### **Tone at the top.**

The Director and all management levels respect integrity and ethical values in their instructions, actions and behaviour.

### **Standards of conduct.**

Cedefop's expectations on integrity and ethical values are set out in Cedefop values and understood at all levels of the organisation and its partners.

### **Alignment with standards.**

Processes are in place to assess whether individuals and departments are aligned with the Cedefop's expected standards of conduct and to address deviations in a timely manner.

## 2. Cedefop Management<sup>5</sup> exercises oversight of the development and performance of internal control.

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*Characteristics:*

**In his/her capacity as Authorising Officer**, Cedefop's Director provides a Declaration of Assurance on the appropriate allocation of resources and their use for their intended purpose and in accordance with the principles of sound financial management, as well as on the adequacy of the control procedures in place.

The Internal Control Coordinator in charge of risk management and internal control plays a key role by coordinating the preparation of the Annual Activity Report. In this context, he signs a declaration taking responsibility for the completeness and reliability of management reporting. This declaration covers both the state of internal control in the Agency and the robustness of reporting on operational performance. However, responsibility for achieving operational objectives remains with the Director.

### **Each Head of Department oversees the internal control systems within their department.**

Each Head of Department oversees the development and performance of internal control and is supported in this task by designated staff in charge of risk management and internal control.

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<sup>5</sup> Cedefop Management refers to the level of Directorate, Heads of Departments as well Heads of service involved in Cedefop's Management Team

**Assurance cascading process.**

To reinforce the assurance cascading process, each manager signs a declaration of assurance in which he/she reports on the use of his/her respective budgetary powers and related use of resources. This cascading declaration includes information both on the state of internal controls in his/her area of responsibility and the soundness of reporting on operational performance.

### 3. Management establishes structures, reporting lines, and appropriate authorities and responsibilities in the pursuit of objectives.

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*Characteristics:***Management structures are comprehensive.**

The design and implementation of management and supervision structures cover all policies and activities to support the achievement of operational and control objectives.

**Authorities and responsibilities.**

The Director, as appropriate, delegates authority and use of appropriate processes and technology to assign responsibility and segregate duties as necessary at the various levels of the Cedefop.

**Reporting lines.**

Cedefop designs and evaluates reporting lines within departments to enable the execution of authority, fulfilment of responsibilities and flow of information.

**Deputising arrangements** for operational activities and financial transactions are in place to ensure continuity of operations.

### 4. We demonstrate a commitment to attracting, developing and retaining competent individuals in alignment with objectives.

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*Characteristics:***Selection procedures.**

Cedefop publishes widely its vacancies, describing clearly core and technical skills needed and job profile in order to attract relevant and competent individuals

**Staff skills.**

Cedefop defines core and technical skills necessary to support the achievement of objectives and regularly evaluates them, in particular through the appraisal of performance, taking action to address shortcomings where necessary.

**Learning and development.**

Cedefop provides learning and development activities needed to develop and retain a sufficient number of competent staff in alignment with objectives and needs.

### 5. We hold individuals accountable for their internal control responsibilities in the pursuit of objectives.

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*Characteristics:***Enforcing accountability.**



Cedefop defines clear roles and responsibilities and holds individuals accountable for the performance of internal control responsibilities across the organisation and for the implementation of corrective action as necessary.

**Staff appraisal.**

Staff efficiency, abilities and conduct in the service are assessed annually against set objectives and cases of underperformance are appropriately addressed.

Component II	Internal Control Principles 6-9
Risk Assessment	6. Specifies suitable objectives 7. Identifies and analyses risk 8. Assesses fraud risk 9. Identifies and analyses significant change

**Risk assessment** is a dynamic and iterative process for identifying and assessing risks which could affect the achievement of objectives, and for determining how such risks should be managed.

#### 6. We specify objectives with sufficient clarity to enable the identification and assessment of risks relating to objectives.

*Characteristics:***Mission.**

Cedefop and its departments have up-to-date mission statements that are aligned across all hierarchical levels, down to the tasks and objectives assigned to individual staff members. Mission statements are aligned with Cedefop's responsibilities set in the legal base.

**Objectives are set at every level.**

Cedefop's objectives are clearly set and updated when necessary (e.g. significant changes in priorities, activities and/or the organigram). They are consistently filtered down from the level of the Director to the various levels of the organisation, and are communicated and understood by management and staff.

**Indicators measure the achievement of Cedefop objectives.**

Objectives and indicators cover Cedefop's most significant activities that contribute to the delivery of Cedefop priorities or other priorities relating to the core business, as well as operational management. Setting objectives and performance indicators make it possible to monitor progress towards their achievement.

**Objectives form the basis for committing resources.**

Cedefop uses the objectives set as a basis for allocating available resources as needed to achieve, operational and financial performance goals.

**Financial reporting objectives.**

Financial reporting objectives are consistent with the accounting principles applicable in Cedefop.

**Non-financial reporting objectives.**

Non-financial reporting provides management with accurate and complete information needed to manage the organisation.

**Risk tolerance and materiality.**

When setting objectives, management takes into account the acceptable levels of variation relative to their achievement (tolerance for risk) as well as the appropriate level of materiality for reporting purposes, taking into account cost-effectiveness.

## 7. We identify risks to the achievement of its objectives across the organisation and analyse risks as a basis for determining how the risks should be managed.

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*Characteristics:***Risk identification.**

Cedefop identifies and assesses risks at the various organisational levels analysing internal and external factors. Management and staff are involved in the process at the appropriate level.

**Risk assessment.**

The Cedefop estimates the significance of the risks identified and determines how to respond to significant risks considering how each one should be managed and whether to accept, avoid, reduce or share the risk. The intensity of mitigating controls is proportional to the significance of the risk.

**Risk identification and risk assessment** are integrated into the annual activity planning and are regularly monitored.

## 8. We consider the potential for fraud in assessing risks to the achievement of objectives.

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*Characteristics:***Risk of fraud.**

The identification and assessment of the risk of fraud is part of Cedefop risk management processes at all levels.

**Anti-fraud strategy.**

The Cedefop sets up and implements proportional measures to counter fraud and any illegal activities affecting the financial interests of the EU. The Cedefop does this by putting in place a sound anti-fraud strategy to improve the prevention, detection and conditions for investigating fraud.

## 9. We identify and assess changes that could significantly impact the internal control system.

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*Characteristics:***Assess changes.**

The risk identification process considers changes in the internal and external environment, in policies and operational priorities, as well as in management's attitude towards the internal control system.

Component III	Internal Control Principles 10-12
Control Activities	10. Selects and develops control activities 11. Selects and develops general control over technology 12. Deploys through policies and procedures

**Control activities** ensure the mitigation of risks related to the achievement of policy, operational and internal control objectives. They are performed at all levels of the organisation, at various stages of business processes, and across the technology environment. They may be preventive or detective and encompass a range of manual and automated activities as well as segregation of duties.

#### 10. We select and develop control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels.

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*Characteristics:*

**Control activities are performed to mitigate the identified risks and are cost- effective.** They are tailored to the specific activities and risks of each department and their intensity is proportional to the underlying risks.

**Cedefop processes and procedures includes** a variety of checks, including supervision arrangements, and where appropriate, should include a balance of approaches to mitigate risks, considering manual and automated controls, and preventive and detective controls.

##### **Segregation of duties.**

When putting in place control measures, management considers whether duties are correctly divided between staff members to reduce risks of error and inappropriate or fraudulent actions.

**Business continuity plans** based on a business impact analysis following corporate guidance are in place, up-to-date and used by trained staff to ensure that the Cedefop is able to continue working to the extent possible in case of a major disruption. Where necessary, business continuity plans must include coordinated and agreed disaster recovery plans for time-sensitive supporting infrastructure (e.g. IT systems).

#### 11. We select and develop general control activities over technology to support the achievement of objectives.

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*Characteristics:*

##### **Control over technology.**

In order to ensure that technology used in business processes, including automated controls is reliable and takes into account the overall corporate processes, the Cedefop management selects and develops control activities over the acquisition, development and maintenance of technology and related infrastructure.

##### **Security of IT systems.**

The Cedefop applies appropriate controls to ensure the security of IT systems of which they are the system owners. They do so in accordance with the IT security governance principles, in

particular as regards data protection, professional secrecy, availability, confidentiality and integrity.

## 12. We deploy control activities through corporate policies that establish what is expected and in procedures that put policies into action.

### *Characteristics:*

#### **Appropriate control procedures ensure that objectives are achieved.**

The control procedures assign responsibility for control activities to the department or individual responsible for the risk in question.

**Exception reporting** is one of the management tools used to draw conclusions about the effectiveness of internal control and/or the changes needed in the internal control system. A system is in place to ensure that all instances of overriding controls or deviations from established processes and procedures are documented in exception reports. All instances must be justified and approved before action is taken, and logged centrally.

**The impact assessment and evaluation of Cedefop activities** are performed in accordance with the guiding principles of the Commission's better regulation guidelines.

Component IV	Internal Control Principles 13-15
Information & Communication	13. Uses relevant information 14. Communicates internally 15. Communicates externally

**Information** is necessary for the organisation to carry out internal control and to support the achievement of objectives. There is external and internal communication. External communication provides the public and stakeholders with information on the Cedefop's objectives and actions. Internal communication provides staff with the information it needs to achieve its objectives and to carry out day-to-day controls.

## 13. We obtain or generate and use relevant quality information to support the functioning of internal control.

### *Characteristics:*

#### **Information and document management.**

Cedefop identifies the information required to support the functioning of the internal control system and the achievement of Cedefop's objectives. Information systems process relevant data, captured from both internal and external sources, to obtain the required and expected quality information, in compliance with applicable security, document management and data protection rules.

## 14. We communicate information internally, including objectives and responsibilities for internal control, necessary to support the functioning of internal control.

### *Characteristics:*



**Internal communication.**

Cedefop and the management communicate internally about their objectives, challenges, actions taken and results achieved, including but not limited to the objectives and responsibilities of internal control.

**Separate communication lines**, such as whistleblowing arrangements, are in place at Agency level to ensure information flow when normal channels are ineffective.

### 15. We communicate with external parties about matters affecting the functioning of internal control.

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*Characteristics:***External communication.**

All managers ensure that their external communication is consistent, relevant to the audience being targeted, and cost-effective. Cedefop establishes clear responsibilities to align Cedefop's communication activities with the priorities and narrative of the institution.

**Communication on internal control.**

Cedefop communicates with external parties on the functioning of the components of internal control. Relevant and timely information is communicated externally, taking into account the timing, audience, and nature of the communication, as well as legal, regulatory, and fiduciary requirements.

Component V	Internal Control Principles 16-17
Monitoring Activities	16. Conducts ongoing and/or separate assessments 17. Assesses and communicates deficiencies

Continuous and specific assessments are used to ascertain whether each of the five components of internal control is present and functioning. Continuous assessments, built into business processes at different levels of the organisation, provide timely information on any deficiencies.

Findings are assessed and deficiencies are communicated and corrected in a timely manner, with serious matters reported as appropriate.

### 16. We select, develop, and perform ongoing and/or separate assessments to ascertain whether the components of internal control are present and functioning.

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*Characteristics:***Continuous and specific assessments.**

Cedefop continuously monitors the performance of the internal control system with tools that make it possible to identify internal control deficiencies, register and assess the results of controls, and control deviations and exceptions. In addition, when necessary, the Cedefop carries out specific assessments, taking into account changes in the control environment. Ongoing assessments are built into business processes and adjusted to changing conditions. Both kinds of assessment must be based on the qualitative and quantitative assessment criteria to be measured through clearly defined indicators.

**Sufficient knowledge and information.**

Staff performing ongoing or separate assessments has sufficient knowledge and information to do this, specifically on the scope and completeness of the results of controls, control deviations and exceptions.

**Risk-based and periodical assessments.**

Cedefop varies the scope and frequency of specific assessments depending on the identified risks. Specific assessments are performed periodically to provide objective feedback.

**17. We assess and communicate internal control deficiencies in a timely manner to those parties responsible for taking corrective action, including senior management as appropriate.**

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*Characteristics:***Deficiencies.**


With the support of the designated staff in charge of risk management and internal control, the Cedefop considers the results of the assessments of how the internal control system is functioning within the Cedefop.

Deficiencies are communicated to management and to the departments responsible for taking corrective action. They are reported in the Annual Activity Reports and to the responsible Member of the Governing Board and Commission, as appropriate. The term 'internal control deficiency' means a shortcoming in a component or components and relevant principle(s) that reduces the likelihood of the Cedefop achieving its objectives. There is a major deficiency in the internal control system if management determines that a component and one or more relevant principles are not present or functioning or that components are not working together. When a major deficiency exists, the Director cannot conclude that it has met the requirements of an effective system of internal control. To classify the severity of internal control deficiencies, management has to use judgment based on relevant criteria contained in regulations, rules or external standards.

**Remedial action**

Corrective action is taken in a timely manner by the staff member(s) in charge of the processes concerned, under the supervision of their management. With the support of the manager in charge of risk management and internal control, the Director monitors and takes responsibility for the timely implementation of corrective action.

Adopted by Cedefop's Governing Board on 9 January 2019



Tatjana Babrauskiene  
Chair of the Governing Board



INTERNAL CONTROL COORDINATOR

9 January 2019

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## CEDEFOP INTERNAL CONTROL METHODOLOGY

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### Annex 1: Internal Control Indicators

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*REFERENCE: Cedefop internal control framework (RB(2018)02154)*

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General comment: the ICC has used different sources and good examples for preparing this first version of Cedefop Internal Control Indicators, which are intended to be in place from 2019 onwards. The sources are: a) European Commission list of suggested and other possible internal control indicators (Ref. Ares(2017)3293999-30/06/2017); b) DG EMPL 2018 IC indicators (IC\_EMPL 180208); c) Internal Control Monitoring Criteria DG EMPL; d) Internal control monitoring criteria 2018 provided by the Commission, and suggested by IAS (Ref. Ares(2018)33337-04/01/2018)<sup>i</sup>; e) ETF Internal Control Indicators (Annex to ETF Internal Control Methodology ETF/18/DEC/001 of 22.01.2018).

The indicators of this first version represent a mix between measurable ones and compliance ones. This choice has been guided by the need to assess the implementation phase of the new Internal Control Framework as well to have actionable indicators from the beginning. The indicators will evolve to more measurable indicators, with the aim to share more comparable indicators with our parent DG and our sister agencies in the future.



Indicator #	Indicator	Source of data/evidence	Baseline value	Target value	Indicator owner
<b>COMPONENT I: CONTROL ENVIRONMENT (Principles 1-5)</b>					
<b>PRINCIPLE 1: Cedefop demonstrates a commitment to integrity and ethical values (<i>tone at the top, standards of conduct, alignment with standards</i>)</b>					
1	Integrity and ethical values form an integral part of the CDR process for Managers & Director (Y/N)	CDR process	Y	Y	DIR+HR
2	% of staff members who followed any training or participated in any awareness raising initiative in Cedefop related to ethics, integrity and conflict of interest and/or fraud during the last 3 years.	L&D participation statistics	80%	80%	HR/L&D
3	Ex-post assessment of documented declaration of conflict of interests. Ensure that all Col for each recruitment and procurement procedure are adequately and consistently assessed.	Records bank	Y	Y	ICC
<b>PRINCIPLE 2: Cedefop Management exercises oversight of the development and performance of internal control</b>					
4	Cedefop's Consolidated Annual Activity Report (CAAR) includes the Declaration of Assurance of the Director as an annex (Y/N)	CAAR	Y	Y	DIR
5	The delegated Authorising Officers sign a cascading declaration of assurance covering their areas(Y/N)	AODs cascading declaration of assurance in Records Bank	Y	Y	DIR
<b>PRINCIPLE 3: Cedefop Management establishes structures, reporting lines, and appropriate authorities and responsibilities in the pursuit of objectives</b>					
6	Clear distribution of tasks, roles and responsibilities: overall responsibilities documented and reviewed on yearly basis by	Intranet Job descriptions CDR	Y	Y	DIR + HR + HoD



Indicator #	Indicator	Source of data/evidence	Baseline value	Target value	Indicator owner
	HoD. Back-up provisions within teams are defined to ensure continuity and transparency (Y/N). Controlled once per year during the CDR process				
7	Delegation of authority is documented (Y/N)	Personal files. Records Bank Intranet	Y	Y	DIR + HR
<b>PRINCIPLE 4: Cedefop demonstrates a commitment to attract, develop, and retain competent individuals in alignment with objectives</b>					
8	Wide dissemination and awareness of Cedefop's vacancy notices is ensured, dissemination database is up to date (Y/N). Updated at least once per year by HR.	Cedefop's dissemination database	Y	Y (	HR
9	% of staff turnover (only voluntary leave counted excluding SNEs, staff leaving on pension and end of contracts)	Cedefop HR statistics	e.g. 1% (2018)	<5%	HR
10	Number of L&D activities	Cedefop HR data	20 internal events	24 internal events	HR
11	The process of staff appraisal includes a dialogue where staff members receive a feedback on how to improve their performance and identify training needs (Y/N):	CDR HR to provide data	Y	Y	HoDs/HR
12	Number of days of unused holidays. Days: unused leave that exceeds the 12 days of leave that can be transferred to year n+1.	Statistics/reporting from Fibus.	12 days	12 days	HR/HoDs
<b>PRINCIPLE 5: Cedefop holds individuals accountable for their internal control responsibilities in the pursuit of objectives</b>					
13	All Managers have internal control responsibilities (Y/N)	CDR w/ Job description	Y	Y	ICC
14	Annual objectives reviewed in the course of the year as needed and related to Cedefop/Department work programme (Y/N)	Review of objectives and CDR	Y (	Y (	DIR +HoD + reporting officers

Indicator #	Indicator	Source of data/evidence	Baseline value	Target value	Indicator owner
15	All appraisal reports concluded within the time frame set by HR (Y/N)	CDR (Information to be provided by HR)	Y	Y	ROs
<b>COMPONENT II: RISK ASSESSMENT (Principles 6-9)</b>					
<b>PRINCIPLE 6: Cedefop specifies objectives with sufficient clarity to enable the identification and assessment of risks relating to objectives</b>					
16	Mission statements, providing basis for objectives, are reviewed annually (at level of department) and updated where necessary (Y/N)	Records Bank/Intranet	Y	Y	DIR + HoD
17	Cedefop's Progress Reports help Cedefop to identify where objectives are not being met (Y/N)	Progress reports	Y	Y	DIR + ICC
18	Rate of implementation of commitment appropriations (budget implementation) per Title (I, II and III)	PMS 18, KPI 02	98%	98%	HoF/AC
19	Rate of Outturn (payment appropriations) per Title (I, II and III)	PMS 19, KPI 03	97%	97%	HoF/AC
<b>PRINCIPLE 7: Cedefop identifies risks to the achievement of its objectives across the organisation and analyses risks as a basis for determining how the risks should be managed</b>					
20	Completion of Cedefop Risk Management Plan based on the projects / objectives of WP (Y/N)	Risk Management Plan, part of AMP	Y	Y	DIR + ICC
21	Risks have been monitored and mitigated at the appropriate level according to the approved Cedefop risk management methodology (Y/N)	Risk Management Plan, part of AMP	Y	Y	DIR + ICC
<b>PRINCIPLE 8: Cedefop considers the potential for fraud in assessing risks to the achievement of objectives</b>					
22	The risk of fraud has been included in the scope of the risk assessment exercise (Y/N)	Risk Management Plan, part of AMP	Y	Y	DIR + ICC
23	All staff dealing with financial operations, HR and	Cedefop training statistics	Y	Y	DIR + ICC +

Indicator #	Indicator	Source of data/evidence	Baseline value	Target value	Indicator owner
	Procurement having attended a training on fraud prevention, detection & handling potential fraud (Y/N)				HR/L&D
24	Cedefop has an up to date anti-fraud strategy (not older than 3 years) (Y/N)	Cedefop Anti-fraud Strategy on Intranet	Y	Y	DIR + ICC
<b>PRINCIPLE 9: Cedefop identifies and assesses changes that could significantly impact the internal control system</b>					
25	The preparation of the PD includes a review of Cedefop risk management plan (Y/N)	Risk Management Plan, part of AMP	Y	Y	DIR + ICC
<b>COMPONENT III: CONTROL ACTIVITIES (Principles 10-12)</b>					
<b>PRINCIPLE 10: Cedefop selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels</b>					
26	Results of control and performance indicators are monitored as to ensure achieving related objectives. Key performance indicators (point 15 of the Common approach on EU decentralised agencies) are addressed twice per year in the Management Team Meeting (including ICC) and reported.	MTM minutes	Y (2 times per year)	Y (2 times per year)	ICC
27	Business continuity arrangements identified in Cedefop Business Continuity Plan are reviewed/tested regularly (target: at least once a year) (Y/N)	BCP	Y	Y	BC PM + ICC
28	A map (list) of critical and sensitive positions/functions exists and covers 100% of activities, all hierarchical levels and all functions (Y/N)	CDR	Y	Y	ICC
<b>PRINCIPLE 11: Cedefop selects and develops general control activities over technology to support the achievement of objectives</b>					
29	Cedefop plans and implements its IT projects and activities via an ICT annual work plan aligned with the ICT Strategy Plan which is approved by DIR/HoD (Y/N)	Progress reports	Y	Y	ICT/DRS
30	Complete recording of number of security breaches/incidents (recorded in an ad-hoc registry) and properly addressed (Y/N)	Registry IT of incidents	100%	100%	ICT/DRS

Indicator #	Indicator	Source of data/evidence	Baseline value	Target value	Indicator owner
<b>PRINCIPLE 12: Cedefop deploys control activities through corporate policies that establish what is expected and in procedures that put policies into action</b>					
31	Actions recommended by ICC are implemented. No repetition of internal control weaknesses recorded in exception and non-compliance events(Y/N)	Recording (registry) of exceptions and non-compliance	Y (Year N-1)	Y	ICC
32	Processes and procedures for the implementation and control of activities are documented, made available and reviewed on a yearly basis (Y/N)	Intranet	Y	Y	ICC
<b>COMPONENT IV: INFORMATION AND COMMUNICATION (Principles 13-15)</b>					
<b>PRINCIPLE 13: Cedefop obtains or generates and uses relevant quality information to support the functioning of internal control</b>					
33	Rules and procedures for registration and filing are up-to-date, reviewed on annual basis back-up (Y/N)	Intranet Records Bank	Y	Y	RM
34	% of documents requested by IAS/CoA that were retrievable (target 100 %)	Audit reports	100% (Year N-1)	100%	RM + ICC
<b>PRINCIPLE 14: Cedefop internally communicates information, including objectives and responsibilities for internal control, necessary to support the functioning of internal control</b>					
35	Number of all staff meetings (general assembly) at least 2 per year providing information on Agency's progress in achieving its objectives, on challenges etc.	Intranet Records Bank	At least 2x year	At least 2x year	DIR
36	Cedefop has a whistleblowing procedure in place which is communicated to and accessible by staff members (Y/N)	Intranet	Y	Y	ICC
<b>PRINCIPLE 15: Cedefop communicates with external parties about matters affecting the functioning of internal control</b>					
37	Cedefop press coverage (number of media items)	PMS 10	Previous year	At least stable	HoDCM
38	Cedefop has an up to date Communication Strategy in place (to be updated/reviewed every year) (Y/N)	Web site	Y	Y	HoDCM
<b>COMPONENT V: MONITORING ACTIVITIES (Principles 16-17)</b>					



Indicator #	Indicator	Source of data/evidence	Baseline value	Target value	Indicator owner
<b>PRINCIPLE 16: Cedefop selects, develops, and performs ongoing and/or separate assessments to ascertain whether the components of internal control are present and functioning</b>					
39	Timely follow-up of recommendations and risks identified in ex-ante and ex-post controls and evaluations, in dedicated action plans, available in the CAP (Consolidated Audit Plan), at least twice per year during Management Team Meetings.	CAAR Reports to GB	Y (2 x year)	Y (2 x year)	DIR + ICC
40	ICC informs Management regularly on the performance /functioning of the internal control, outcome of the risk management exercise, exception/non-compliance reports, each quarter	Minutes of HoD meetings	4x year	4x year	DIR + HoD + ICC
<b>PRINCIPLE 17: Cedefop assesses and communicates internal control deficiencies in a timely manner to those parties responsible for taking corrective action, including senior management and the Governing Board, as appropriate</b>					
41	Rate (%) of accepted audit recommendations implemented within agreed deadlines	PMS 21, KPI 05 IAS TeamMate	Previous year	100 %	DIR + ICC



## **CEDEFOP INTERNAL CONTROL METHODOLOGY**

### **Implementation of the Internal Control Framework**

*REFERENCE: Cedefop ICF (RB(2018)02154)*

#### **Internal control in Cedefop**

Internal control helps Cedefop to achieve its objectives and sustain operational and financial performance whilst respecting rules and regulations. Internal control is a key element of performance management in Cedefop. Internal control supports sound decision-making by taking into account risks in the achievement of objectives and where necessary reducing them to acceptable levels through cost-effective controls. Internal control applies to all activities, irrespective of whether they are financial or non-financial.

The revised internal control framework of Cedefop is designed to provide reasonable assurance regarding the achievement of objectives, including the following:

- Effectiveness, efficiency and economy of operations,
- Reliability of reporting and safeguarding of assets and information,
- Prevention, detection, correction and follow-up of fraud and irregularities, and
- Adequate management of the risks relating to the legality and regularity of the underlying transactions.<sup>1</sup>

Cedefop internal control framework is based on the framework of the European Commission which was revised in 2018 with a view to aligning Commission standards to the highest international standards set by the COSO framework<sup>2</sup>.

The aim of the Commission was to move from a compliance-based system to a principle-based system and to ensure a more robust internal control framework through consistent assessment, while providing the necessary flexibility to enable the framework to be adapted to fit the specific characteristics and circumstances of the Commission<sup>3</sup>.

Cedefop Internal Control Framework is based on 17 IC Principles, clustered into 5 components.

<sup>1</sup> Art. 30 Internal Control of Budget Implementation, Financial Regulations of Cedefop ref: DIR/RB(2014)00032 of 09.01.2014

<sup>2</sup> The full text of the Internal Control-Integrated Framework is available at [www.coso.org](http://www.coso.org).

<sup>3</sup> Communication to the Commission: Revision of the Internal Control Framework ref: C(2017) 2373 of 17.04.2017

## 1. Roles and responsibilities in internal control in Cedefop

The roles and responsibilities of internal control actors in Cedefop are indicated in the table below:

Role	Responsibility
Cedefop Director / Authorising Officer	<ul style="list-style-type: none"> <li>Overall responsibility for the functioning of the internal control system in Cedefop.</li> <li>Signs a declaration of assurance on the functioning of Cedefop internal control system annexed to the Annual Activity Report.</li> </ul>
(Sub)Delegated Authorising Officers (S)DAOs	<ul style="list-style-type: none"> <li>Each (Sub) Delegated Authorising Officer is responsible for the functioning of the internal control system in their respective department.</li> <li>Each (Sub)Delegated Authorising Officer signs a cascading declaration of assurance on the functioning of the internal control system in their area of responsibility</li> </ul>
Internal Control Coordinator	<ul style="list-style-type: none"> <li>Supports the Director in overseeing and monitoring the implementation of internal control in Cedefop<sup>4</sup>.</li> <li>Ensures the awareness and understanding of Cedefop Internal Control Framework by all staff, in particular through training, information and support activities.</li> </ul>

## 2. Methodology for monitoring and assessment

According to Internal Control Principle 16, *"We select, develop, and perform ongoing and/or separate assessments to ascertain whether the components of internal control are present and functioning"*.

Cedefop regularly monitors the implementation of internal control principles (as a minimum in Q2 and Q4) and carries out an annual assessment on the effectiveness of internal controls. Both are closely linked and form an integral part of the monitoring and reporting cycle. On the one hand, deficiencies identified in the context of regular monitoring are important elements to be taken into account in the overall assessment of the functioning and effectiveness of the internal control system. On the other hand, any shortcomings identified during the overall assessment are addressed; improvement actions are integrated in Cedefop Progress Report and followed up on a regular basis.

The annual assessment is provided in the CAAR. The assessment uses the assessment tool provided by DG BUDG, based on Internal Control Framework Implementation Guide (2018), which follows the Communication to the Commission on the Revision of the Internal Control Framework (C(2017)2373) adopted on 19/04/2017 to facilitate its consistent and effective implementation.

## 3. Regular monitoring:

The Director monitors the implementation of the internal control principles at least twice per year (Q2 and Q4) through the indicators corresponding to each internal control principle listed in annex 1. The results are reviewed and brought to the attention of management in

<sup>4</sup> In accordance with Art 30 of Cedefop Financial Regulation



the Q2 and Q4 quarterly progress reports. Any weakness identified during the regular monitoring is included in the annual review and assessment of internal controls. This enables Cedefop to react to changing conditions and to correct any weaknesses identified or any deviations from intended performance in a timely manner. If necessary, internal control issues related to financial and human resources will be discussed in ad-hoc resources meetings.

## 4. Annual assessments

Each year Cedefop management carries out an annual review and self-assessment of the compliance and effectiveness of internal controls in Cedefop. This provides a global overview of the state of play of internal control and aims to provide reasonable assurance of the correct functioning and effectiveness of internal control in Cedefop. The assessment is concluded in Q1 of the year N+1 at the latest to feed into the Annual Activity Report for the year N+1.

The results of the regular monitoring exercises feed into the annual review and assessment on internal controls. The annual assessment is carried out following a three step approach:

### Step 1: Definition of the internal control assessment criteria

Cedefop indicators outlined in annex 1 are intended to facilitate monitoring of the internal control principles, components and internal control system overall. A proportional approach has been used to define Cedefop indicators and where possible, approved KPIs or productivity/quality indicators have been used and the indicators are part of the annual departmental plans. An owner (at department level) has been assigned to the internal control principle and to each indicator.

### Step 2: Identification of internal control strengths and deficiencies

An internal control deficiency is an issue that requires the attention of management. It may include conflicts of interest, internal control weaknesses, errors, fraud, illegal acts, ineffectiveness, and inefficiency. A severe deficiency reduces the likelihood of achieving Cedefop's objectives.

To identify internal control strengths and deficiencies, Cedefop uses available information sources such as:

- Internal assessments;
- Improvement actions / internal control strengths and weaknesses reported by staff;
- Analysis of risks reported during the risk assessment exercise;
- Cedefop risk register (macro level);
- Exceptions registered in the register of exceptions;
- Accounting Officer's report on the validation of financial management systems;
- ECA, IAS and outsourced audit findings and recommendations.

Cedefop aims to identify both the internal control strengths and deficiencies and assesses the severity of the identified deficiencies as follows:

**Minor deficiency:** minor impact on the presence and/or functioning of the principle. The principle is in place and functions well, only minor improvements are needed.

**Moderate deficiency:** moderate impact on the presence and/or functioning of the principle. The principle is in place and functions but some improvements are needed.



**Major deficiency:** significant impact on the presence and/or functioning of the principle, but the principle is partially effective. With such a deficiency, the principle is partially in place and/or is partially functioning; substantial improvements are needed.

**Critical deficiency:** fundamental impact on the presence and/or functioning of the principle and the principle is not effective. With such a deficiency, the principle is not in place and/or essentially does not function as intended.

### Step 3: Assessment of the Internal Control System

The assessment of the Internal Control System is carried out at three levels:

- **at the level of the principles** (based on the analysis of the detected strengths and deficiencies)
- **at the level of the components** (based on an analysis of the results at principle level)
- **at the level of the internal control system as a whole** (based on an analysis of the results at component level).

For each level assessed, Cedefop concludes the following:

<b>Level 1</b> Effective internal control system	No internal control weakness or deficiency identified. The principle is present and functioning well, only minor improvements needed
<b>Level 2</b> Partially effective internal control system (minor weakness)	Minor deficiency or combination of minor/moderate deficiencies identified. The principle control system is present and functioning but some improvements are needed.
<b>Level 3</b> Partially effective internal control system (major weakness)	Major deficiency or combination of moderate deficiencies identified. The principle control system is present and functioning but a lot of improvements are needed.
<b>Level 4</b> Ineffective internal control system	The principle is not present and functioning. A critical internal control deficiency or combination of several major deficiencies determines that the principle in general is not effective.

Cedefop will then assess the overall level of effectiveness of internal control. This overall conclusion will take into consideration the functioning of Cedefop internal control components in an integrated manner.