



**2012**

# **Annual Activity Report**

## **DG Education and Culture**

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# PART 1. POLICY ACHIEVEMENTS

With a view to contributing to a knowledge-based Europe reconciling a competitive economy and an inclusive society, DG Education and Culture's mission is to foster both equity and excellence in education and training (E&T), to promote career development of researchers, to support cultural exchange and cooperation, to enhance the competitiveness of the audiovisual and other creative industries, to develop the European dimension in sport, to maximise the potential and well-being of young people while stimulating the mobility of individuals and the dissemination of works in each of these fields. The DG acts through political initiatives and spending programmes, at all times supporting equal opportunities in all its activities.

## 1.1. Achievements in the area of Education, Youth, Culture and Sport

During 2012, the DG has continued to implement the Europe 2020 Strategy and the current programmes. Through an increased volume of communication<sup>1</sup> (+37% press activities) it has actively contributed to the visibility of its policies notably in the context of the European Semester of economic governance and the new generation of programmes currently under discussion. Overall, the DG has been able to deliver the expected policy and programme results. Cross-cutting results are presented below ahead of those concerning budget-based activity.

### 1.1.1 Implementation of the Commission's Work Programme

In 2012, the DG has enabled the Commission to adopt three initiatives planned in the Commission Work Programme (CWP): a Commission communication on "**Rethinking Education: Investing in skills** for better socio-economic outcomes<sup>2</sup> (formerly "Rethinking Skills" in CWP 2012), a proposal for a Council Recommendation on the **validation of non-formal and informal learning** (CWP 2010)<sup>3</sup> and a Commission communication on **cultural and creative sectors for creative growth in the EU** (CWP 2011).<sup>4</sup> Moreover one initiative from the CWP 2010 (Commission proposal for a **new benchmark on language skills**) was actually integrated into Rethinking Education.<sup>5</sup>

As a follow-up to DG EAC's work, in 2012 the Council of Ministers adopted the Commission proposals for the **EU Joint Report ET2020** on the implementation of the strategic framework for European cooperation in Education and Training, an **EU benchmark on employability**, the **Joint EU Youth Report** on the implementation of the EU Youth Strategy for 2010-2012, as well and the aforementioned recommendation.

In addition, the Commission adopted a Recommendation for a Council decision on the European Capital of Culture 2016<sup>6</sup> and a Proposal for an EP and Council Decision on the **European Capitals of Culture for the years 2020 to 2033**,<sup>7</sup> as well as the interim evaluation of the Lifelong Learning Programme (LLP).

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<sup>1</sup> Most demanding topics in terms of external communication were the Erasmus funding problem against the backdrop of the celebrations of the programme's 25th anniversary, the future programmes, literacy, the Modernisation of Higher Education, "Rethinking education" and the Youth on the Move campaign (e.g. 'Generation Y', a TV magazine targeting youth with the aim of promoting education and culture projects).

<sup>2</sup> COM(2012) 669; SWD (2012) 371 to 377

<sup>3</sup> COM(2012) 485; SWD(2012) 252 and 253

<sup>4</sup> COM(2012)537

<sup>5</sup> Four non-CWP initiatives planned for 2012 were equally integrated in the 2012 Rethinking Education package: a Council Recommendation on the use of ICT in Schools, a communications on transversal competences, a communication on education and migration and a staff working document on equity in E&T to support European inclusive growth.

<sup>6</sup> COM(2012)146

<sup>7</sup> COM(2012)407; SWD(2012)226

During the year, the DG cancelled the preparation of four non-CWP policy initiatives (opening of negotiations with Australia, Canada and USA in Education (Youth) and Training due to budget cuts in the US and Canada; EU accession to the Council of Europe; Anti-Doping Convention due to low political feasibility). The proposal for a Council Recommendation on European film in the digital era, along with a paper on basic skills, were carried over to 2013.

### 1.1.2 Next generation of programmes

Work on preparing the **future programmes for the period 2014-2020** has entered the next stage, with the on-going political discussions with the European Parliament and the Council and with the technical preparation of the implementation concerning:

- the future programme "Erasmus for All (E4A)", integrating education, training, youth and sport, including the proposed student loan guarantee facility;
- the future programme "Creative Europe", integrating culture and the audiovisual sector, including the proposed guarantee facility for SMEs in the cultural and creative sectors;
- the future research and innovation programme "Horizon 2020", in which DG EAC is involved, as regards Marie Skłodowska Curie Actions and the European Institute of Innovation and Technology (EIT).
- DG EAC has also been actively involved in the preparation of the future priorities of the Cohesion Policy. The DG contributed at all stages (Common Strategic Framework, Commission's negotiation position) emphasising conditionality, in particular in relation to the Europe 2020 agenda and providing country specific input into the preparation of future investment priorities.

The DG saw in 2012 **partial general agreements of the Council** on the Commission proposals for the three first new programmes mentioned above. However, the Commission expressed a **general reservation** on the Council agreements, especially as certain issues depend on the overall Multiannual Financial Framework negotiations. Debate at the European Parliament has started with Committees adopting their opinions or consolidated amendments. Major issues for both institutions have been the higher levels of integration and flexibility proposed in allocating funds between sectors and the governance of the programmes. An important issue for other stakeholders has been the decision to integrate programmes in E4A and Creative Europe.

To raise the level of acceptance and to maximise the chances of streamlining new programmes, a discussion with institutional stakeholders has been pursued, in particular with a view to reaching an agreement on the specific place of the EIT within the Horizon 2020 implementing rules, and the design of the aforementioned Guarantee Facilities. Meanwhile internally, in collaboration with Executive Agencies, the new programme management documents and tools including IT aspects are being prepared with a view to simplifying further information exchanges (see 2.1), despite some delays in finalising business processes. Overall the remaining risks related to the new legal bases are mainly related to tight calendar deadlines.

### 1.1.3 International cooperation

When it comes to external relations, the year 2012 saw policy results particularly in the fields of culture and youth, in relation to **China and Eastern Partnership** countries. While reinforced strategic co-operation with OECD was formalised in the field of education, the relationship with the Council of Europe in the domain of sport had to be clarified. Support to transition and developing countries through the European Training Foundation (ETF), as well as regional and bilateral policy exchanges, focusing mainly on higher education, have continued (e.g. successful African Tuning pilot initiative involving 60 African universities; Joint Declaration in E&T with South Africa). The 2012 evaluation

found that the ETF action was relevant and effective, especially in terms of networking and knowledge transfer, given its wide mandate and limited resources.<sup>8</sup> The extension of eTwinning<sup>9</sup> to third countries, although delayed pending the extension of the Executive Agency mandate, was eventually launched (Eastern Partnership countries, Tunisia).

Progress has been made in relation to the **international protection of cultural diversity** (see indicator 21), as well as towards Eastern Partners (20 annual events), especially with the cumbersome but successful launch of the Eastern Partnership Youth Window (10,000 foreseen new participants), and the preparation of a new MEDIA and Culture MED programme following the events in the South Mediterranean countries. Moreover, a preparatory action on culture in external relations and a pilot project on the economy of cultural diversity were also launched.

The most visible focus of the EU action in this field during the reporting period was on Asia. The results of the 2012 EU China Year of Intercultural Dialogue (200 activities coordinated with the Member States, through a labeling process) have been made available online.<sup>10</sup> In particular the DG contributed to the first youth event organised in the context of the High Level People-to-People Dialogue. The first two EU higher education events ever were organised by EAC respectively in Japan and in Korea. Lastly, a pioneering expert group jointly chaired by the Commission and the European External Action Service has been set up as part of the Work Plan for Culture 2011-14 so as to devise a strategy on the role of Culture in EU external relations, with a focus on China.

With regard to the candidate and potential **candidate countries**, the Western Balkan Platform on E&T was launched, while Serbia and the Former Yugoslav Republic of Macedonia started to participate in the centralised actions of LLP.

### 1.1.4 Management of current programmes

At the end of the 2007-2013 period, this DG will have managed **the mobility of about 3 million beneficiaries**, through the Lifelong Learning Programme (LLP) for learners and teachers, the Youth in Action Programme (YiA) for young people and youth workers, the Marie Curie Actions (MCA) for researchers, and external higher education programmes such as Erasmus Mundus and granted **almost € 870 million to cultural and audiovisual sectors**. The funding programmes managed in the remit of the DG, mainly through agencies,<sup>11</sup> appeared to have had the expected impact and European added-value, as evidenced by the 2011 mid-term evaluations. Executive Agencies have reported contributions to all general objectives of the DG throughout the implementation of programmes by taking care of the direct project management and the dissemination of results (see 2.1). Both internal and external evaluations and audits have borne out the major contribution of the agencies as an effective delivery approach for Commission policies.

In 2012, programmes were implemented on schedule (even earlier than in previous years) and in all participating countries (no suspension case any longer at the year-end).<sup>12</sup> Since 2012, Malta is once again fully participating in LLP and YiA. Similarly, in 2012 the preparatory measures for participation in LLP and YiA have been resumed in the Former Yugoslav Republic of Macedonia. Faced with the potential of a payments shortage, the Commission reacted in a timely manner to obtain a rectifying budget; resultantly objectives were not hindered.<sup>13</sup> Demand continued to grow in most sectors, particularly

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<sup>8</sup> Sufficient resources and long-term engagement by the ETF are vital to support EU priority partner countries where opportunities for increased impact exist (such as democratic transition in the Southern and Eastern Mediterranean). However the measurement of ETF performance will need more result-level indicators.

<sup>9</sup> eTwinning is a free Web platform for teachers to develop collaborative projects and to share ideas in Europe.

<sup>10</sup> [http://ec.europa.eu/culture/eu-china/index\\_en.htm](http://ec.europa.eu/culture/eu-china/index_en.htm)

<sup>11</sup> See below section 2.1, Annexes 6 about National Agencies and 7 about the Education Audiovisual and Culture Executive Agency and the Research Executive Agency.

<sup>12</sup> See below section 2.1 about achievements in terms of programmes efficiency.

<sup>13</sup> Programmes concerned were People (EUR 108 M) and LLP (EUR 180 M).

strongly in certain cases (see footnotes in section 1.2.1). In contrast, due to budget cuts in the US and Canada since 2011, the EU bilateral programmes with these countries are no longer executed. On a general note, current positive trends in mobility might not be sustained in the future due to the economic crisis, against a background of lower available incomes and cuts in national budgets, unless EU efforts are strengthened as proposed in the new MFF by the Commission.

## 1.2 Achievements by ABB activity

### 1.2.1 Lifelong learning including multilingualism

This activity aims at supporting the development by competent authorities of high quality education and vocational training and of access for all citizens to lifelong learning (see indicators 1, 5, 6 and 9) as contributions to an innovative and knowledge-based Europe. The specific objectives pursued under the activity remained in 2012:

1. Modernisation and reform of EU education and training systems in line with the 'Europe 2020' strategy and the Youth on the Move initiative;
2. In the context of Europe 2020, develop a European area of lifelong learning and in the context of 'Youth on the Move' foster mobility in view of strengthening Europe's competitiveness and inclusiveness, building its knowledge-intensive economy and deepening the sense of European identity and citizenship;
3. Building the basis needed for the EIT to operate independently in view of pursuing world-class innovation in an innovative way;
4. Make Multilingualism a reality enabling European citizens to use several languages, to access other cultures and to participate as active citizens, benefiting from better communication, inclusiveness and wider employment as well as business opportunities;
5. Bring other countries' experiences into internal EU policy dialogue and programme formulation, enable partner countries to benefit from EU achievements, and support people-to-people contacts and mutual understanding.

The increasing shift of political attention in the context of the **Europe 2020** strategy towards education and training as key drivers for growth and jobs at EU level was confirmed during 2012, through the reaction to the Commission proposals for the **Multannual Financial Framework 2014-2020** and proposed priorities for the future Cohesion policy (see 1.1.2). The combined European headline target on education shows improvement from 2008 in a lower rate of early leavers from E&T and a higher tertiary attainment rate (see indicators 1 and 6), although certain Member States are expected to show higher ambition if the EU is to reach its target by 2020 for early leavers.

Thanks to its newly strengthened country-based expertise, DG EAC contributed actively to the **European semester 2012**. As a result, the Council adopted unprecedented conclusions on "Education and Training in Europe 2020" and 27 Country Specific Recommendations where these issues were highlighted for all Member States. During the second half of 2012 (the "national semester"), the DG also contributed to the preparation of the 2013 Annual Growth Survey (AGS). In line with the Rethinking Education Communication, the AGS acknowledges the clear impact of education systems performance and the skills issues on growth and competitiveness.

With the 2012 Commission/Council **Joint Report Education and Training 2020** the Council endorsed a new phase in the implementation of the strategic framework for European co-operation in E&T until 2014, which is raising awareness amongst policy makers of the contribution of E&T to the Europe 2020 agenda.<sup>14</sup> Reinforced strategic co-operation with OECD was formalised in that respect. Challenging agreement on the renewed use of peer-reviews was reached prior to further implementation.

The DG has continued to follow-up the 2020 flagship initiatives linked to E&T ("Youth on

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<sup>14</sup> Regular involvement of Council of Ministers, annual peer review, education and training Forum, education and training Monitor.

the Move"; "An Agenda for new Skills and Jobs"). Thousands of young people participated in the **Youth on the Move** campaign in 2012. The aim of this flagship is not only to raise the quality and international attractiveness of Europe's higher education (see indicators 19 and 20), but more generally to improve learning opportunities for young people (indicators 2 and 3) and to facilitate their challenging transition into the labour market (indicators 7 and 10). DG EAC actively participated in the follow-up activities of the **European Youth Opportunities Initiative**, targeting the 8 countries with the highest youth employment rates and contributing to the re-programming of structural funds through National Agencies. The focus was on three themes: early school leaving, enhancing work based vocational E&T, and promoting mobility through the structural funds.

The **Rethinking Education** Communication, the CWP 2012 initiative in the remit of DG EAC, was adopted as a major contribution to the education dimension of the European Semester, together with the first edition of the E&T Monitor,<sup>15</sup> as well as a number of other working papers on the assessment of key competences in initial E&T (see indicator 4),<sup>16</sup> excellence in vocational education and training (VET) and work-based learning, evidence on lifelong learning, and language competences (see indicator 15) including a new related benchmark. The Communication underlines that Europe needs a radical rethink on how E&T systems can deliver the skills needed by the labour market. It identifies a limited number of strategic priorities to be addressed at national or EU level to modernise E&T, including entrepreneurship education. These challenges could not be tougher in the context of widespread austerity cuts in education budgets. However, the call for investing in E&T was successively endorsed by the Council and the European Council at the end of 2012 with a view to ensuring rapid follow-up to the communication.

More broadly, the **Agenda for new Skills and Jobs** has the objective of creating the right conditions to allow people to acquire new skills in order to raise employment levels. The benchmark on employability prepared by DG EAC was adopted in 2012. It confirms a deterioration since 2008 (see related indicator 10), as is the same for basic skills (see indicator 4). In contrast significant progress has been registered on the implementation of **EU-level transparency tools**. As regards the European Qualifications Framework (EQF)<sup>17</sup>, in spite of political delays, 21 countries have adopted legally binding national qualifications frameworks (15 in 2011) and 16 countries have referenced their systems to the EQF (7 in 2011). Up to 2012, 20 million people (+5 million) had already used the 'Europass' online CV to help them find a job.<sup>18</sup> As planned, the new European Skills Passport was incorporated in the Europass Portal to offer citizens an organised e-portfolio of all documents that attest to their skills. The Ploteus Portal, which displays all information about lifelong learning in Europe and a prototype of the long awaited EU Skills Panorama<sup>19</sup> to provide intelligence on skills trends in labour market, were eventually launched towards the end of the year. When it comes to VET, teams of national ECVET experts have started their activities and 20 countries have established national approaches to EQAVET so far.<sup>20</sup> Lastly, as a follow-up to the Youth on the Move initiative, the Commission proposed, and the Council adopted the recommendation on the validation of non-formal and informal learning<sup>21</sup> in 2012 inviting governments to establish validation systems linked to the EQF by 2018.

In a context of global competition with more than half of the world's internationally mobile students choosing Europe as their destination, the cooperation with the rest of the world has continued to promote the EU's attractiveness in terms of quality and accessibility of education and research (see indicators 19 and 20). The focus of the work

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<sup>15</sup> SWD(2012)373

<sup>16</sup> SWD(2012)393

<sup>17</sup> The European Qualification Framework (EQF) acts as a translation device to better understand qualifications from different EU countries, making it easier to learn, work or hire staff abroad.

<sup>18</sup> By offering a standardised CV template (curriculum vitae), available in 26 languages, Europass helps job-seekers to market their skills to employers across Europe and beyond.

<sup>19</sup> <http://euskillspanorama.ec.europa.eu>

<sup>20</sup> European Credit for Vocational Education and Training (ECVET) and related Quality Assurance (EQAVET).

<sup>21</sup> Learning outside any formal system, through planned and structured activities such as in-company training (non-formal) or simply through life and work experience (informal).

on **higher education (HE) policy** during 2012 was (i) to support Member States in implementing reforms as foreseen in the EU modernisation agenda for HE<sup>22</sup> in the decade to 2020, including by strengthening synergies between the EU Agenda and the European Higher Education Area (Bologna Process)<sup>23</sup>; (ii) to create an opportunity from the 25<sup>th</sup> anniversary of the Erasmus programme to demonstrate the impact of the EU's action in education; and (iii) to start developing U-Multirank, the new independent and multidimensional university ranking tool, which will benchmark universities and colleges on their performance across the full range of their missions. So as to develop innovative ways of delivering education, University business cooperation was further developed in 2012 including through three additional pilot projects (Knowledge Alliances/Partnerships<sup>24</sup>).

The **European Institute of Innovation and Technology (EIT)** has been established to trigger the transfer of higher education, research and innovation activities to commercial applications (see indicator 11), in particular through start-up enterprises. With an enhanced support of the DG, it is progressively becoming operational and supports the Europe 2020 strategy (Innovation Union, Digital Agenda, Efficient Resources flagships). The results of KICs<sup>25</sup> in the fields of sustainable energy, digital innovation and climate change have started to be visible: 33 start-ups/spin-offs were created and 210 patents have been processed since 2010. The EIT Strategic Innovation Agenda package adopted by the Commission in 2011 represents an exceptional opportunity, but also a challenge for the EIT, as the Institute must get itself prepared to manage a ten-fold increase of its budget and an exponential increase in the number of KICs. Further systematic action is therefore required to optimise its capability and to address current shortcomings (see 2.2.2). In response to this an action plan for supporting the EIT headquarters was jointly adopted in 2012 and subsequently implemented with a close monitoring from the DG (see 2.1).

On **school policy**, the Europe 2020 target on early school leaving (ESL) defines the central focus at EU level (see above and indicator 6). Monitoring in this respect has resulted in 6 countries receiving a recommendation on ESL. A Thematic Working Group was also established on the related theme of early childhood education and care with a view to producing a quality framework on pre-school education (see indicator 5). Under the Cyprus Presidency, and in response to alarming results (see indicator 4), the Council adopted conclusions<sup>26</sup> on policy measures to improve literacy in Europe on the basis of the report delivered by the High Level Expert Group set up in 2011. Two staff working documents were issued on supporting the Teaching Professions for Better Learning Outcomes and on the Assessment of key competences in initial E&T. Two European Policy Networks were established to undertake peer learning respectively on Key Competences and on the Education of Migrants. Lastly, the Learning Europe at School initiative was pursued under the Jean Monnet actions.

In the field of **Vocational Education and Training (VET)**, Member States have clearly encouraged work-based learning for young people but should pay more attention to the training of VET staff and the VET labour market outcomes. This is one conclusion from the mid-term review completed in 2012 by the traditional agency Cedefop (see 2.1) about progress towards the objectives of the 2010 Bruges Communiqué. Policy guidance based on best practices in this field and, notably, on apprenticeships was presented to Ministers, laying the foundation for the creation of the "Alliance for Apprenticeships" announced in the communication "Rethinking Education". VET-business cooperation was also a priority under the Danish Presidency, culminating in the first European Business Forum on VET.

As regards **adult education**, the economic crisis highlighted the urgency to support around 70 million adults with low skills in the EU. Considering the continued lack of

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<sup>22</sup> <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2011:0567:FIN:EN:PDF>

<sup>23</sup> Conclusions of the 2012 Bucharest Bologna Ministerial conference and Policy Forum.

<sup>24</sup> Knowledge Partnerships/Alliances bring together business and higher education to deliver innovative teaching methods and to promote entrepreneurship through interdisciplinary cooperation.

<sup>25</sup> Knowledge and Innovation Communities (KICs) are excellence-driven partnerships of higher education institutions, research organisations, companies and other stakeholders within self-supporting networks.

<sup>26</sup> OJ 2012/C 393 of 26 November 2012



progress in this area (see indicators 9 and 4), the Council adopted a Resolution on a European Agenda for Adult Learning in 2011 for 2012-2014. In 2012, the national coordinators nominated by the countries have defined their work programme for implementing this Agenda. Work focused on existing financial instruments that could help re-skilling adults and improve the quality of adult learning (e.g. accreditation of providers, trainers' competence). The Grundtvig programme in particular provided adult education staff with concrete training opportunities. On a specific note, Senior Volunteering Projects supported the active ageing and intergenerational solidarity theme of the European Year 2012.

In 2012, the **international cooperation with non-European countries** strongly contributed to making EU education (see indicator 19) and research systems more attractive worldwide, but also to the modernisation of European E&T systems. Out of the 100 best-ranked EU universities in the Shanghai ranking, 91 (+10) participated in Erasmus Mundus joint programmes and all participated in Marie Curie Actions. In that respect, the People programme (see 1.2.2 below) remained the most open EU research programme as all MCAs are open to researchers of any nationality worldwide. As of 2012, the **Erasmus Mundus programme** has allocated scholarships to over 43,000 students and 9,000 academics. Both were subject to satisfactory interim evaluations in 2012. **Bilateral programmes with Industrialised Countries were pursued**, although the appropriateness beyond 2013 to have separate Agreements with the U.S. and Canada was reviewed in the aftermath of the economic crisis.<sup>27</sup>

Against the background of disappointing records in terms of **multilingualism** (see indicator 15), DG EAC released the first European Survey on Language Competence which showed that on average 14% of 15 years old pupils in participating countries did not reach the level of basic user in their first foreign language. DG EAC proposed to the Council as part of the Rethinking Education package the first ever language competency benchmark, as well as some recommendations to Member States for more effective teaching of foreign languages.<sup>28</sup>

The **Lifelong Learning Programme** (LLP) has once again been broadly implemented as foreseen (see 1.1.4, 2.1, 3.1 about mitigated risk), including its horizontal strand (e.g. Jean Monnet actions), with its focus on intra-EU learning mobility, be it of pupils (Comenius and Leonardo da Vinci respectively for general and vocational schools), university students (Erasmus), adults (Grundtvig) or educational staff. Although not as impressive as in 2011, there was again an overall upward trend in the demand for mobility in 2012 for all sub-programmes<sup>29</sup>, as well as for decentralised cooperation.<sup>30</sup>

Regarding the sub-programme for schools, Comenius, the Commission maintained simplification efforts to facilitate participation in 2012. Almost 13,000 individuals (-5% in comparison to 2011) were funded. School communities confirmed their sustained interest for the Individual Pupil Mobility action (+51%), although four Member States continued not to participate. In 2012, eTwinning again experienced an increase in the number of registered teachers (+28%) resulting in almost 100,000 schools with 190,000 teachers participating actively in the professional discussion forums.

When it comes to vocational education and training, over 96,000 individuals (+15%) received a grant (see indicator 3). 85% of the participants in Leonardo da Vinci mobility found that their training placements had been beneficial for their career. The "We Mean Business" campaign was launched in 2012 across the EU to help enterprises get involved in hosting European trainees. The concept of Sector Skills Alliances was tested in 4 sectors (e.g. health, tourism, energy saving), directly targeted at addressing the skills mismatch ahead of a larger scale implementation through the future programme Erasmus for All. Lastly almost 3,000 adults (+13%) benefited from the Grundtvig funding.

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<sup>27</sup> See 1.1.4 and AAR 2011

<sup>28</sup> SWD(2012)372

<sup>29</sup> E.g. Grundtvig Assistantships (+21%) and In-Service training (+19%), Comenius Assistantships (+15%) Leonardo initial vocational training (+10%), demand for placements for people in labour market (+20%).

<sup>30</sup> E.g. demand for Regio partnerships (+12 %) under Comenius; for Learning Partnerships (+15%) under Grundtvig; for Intensive Programmes (+10%) under Erasmus.

Progress with the implementation of the Erasmus sub programme has contributed to the DG's objective in relation to fostering mobility (see indicator 3) and supporting cooperation between higher education institutions. Since the inception of the programme, over 2.5 million students have benefited from it. During the year 2010/11, it supported for the first time over 230,000 students (+8%), including more than 40,000 placements in enterprises (+15%) and accounting for 4.5% of the annual overall number of European graduates. Staff mobility also continued to increase (+13%). 97% of former Erasmus students consider having studied abroad an advantage on the job market (2011).

## 1.2.2 Researchers mobility

This activity aims at improving the skills and mobility of the best researchers as a contribution to an innovative and knowledge-based Europe. The specific objectives pursued under the activity remained in 2012:

1. To support training, transfer of knowledge and the structuring of the research careers through mobile researchers (European and International dimension)
2. To foster the inter-sectorial mobility and the participation of women in research

Contributing to the research effort of Europe through its human resources (see indicator 12), the **People Programme**, mainly implemented through the **Marie Curie Actions** (MCA),<sup>31</sup> since 2009 have supported about 44,500 researchers (+11,100 in 2012) of 130 different nationalities working in more than 75 countries. They have continued to address three 2020 flagship initiatives, namely the Innovation Union, Youth on the Move and An agenda for new skills and jobs. More than 50% of funded research projects directly address the major societal challenges as defined in the Europe 2020 Strategy (e.g. climate change). In line with objectives, the comparatively high participation rate of women was maintained (36.5%) and the participation of private enterprises as host organisations (24%) went beyond target. In 2012, an estimated 79% of individual fellows have employment positions two years after their fellowships. The first interim evaluation results disclosed in 2012 confirm that MCA Individual Fellowships and Co-funding mechanisms are strengthening the research capacity in the EU through an increase in the quality and quantity of researchers.<sup>32</sup>

DG EAC has pursued its collaboration with the Research Executive Agency, which has contributed fully to implement the MCA objectives by taking care of the direct project management (see 2.1).<sup>33</sup> Communication towards stakeholder (4 events), potential applicants (20 international events<sup>34</sup>), as well as former beneficiaries has been strengthened (1,435 researchers registered through the Marie Curie Alumni portal).

## 1.2.3 Cultural and audiovisual cooperation in Europe

This activity aims to support the cultural and audiovisual diversity in Europe (see indicators 13 and 14). The pursued specific objectives of this activity remained in 2012:

1. Create a supportive environment for artistic creation and cultural works/operators with a view to boosting the sector's contribution to creating jobs and economic growth;
2. Support European cultural cooperation by promoting intercultural artistic creation, new professional pathways for artists, increasing the circulation of cultural works throughout Europe as well as the audiences for non-national European works, with a view to promoting cultural diversity, enhancing intercultural dialogue, and promoting a sense of European citizenship;
3. Promote the systematic integration of the cultural dimension as a vital element of the EU's international relations in all external and development policies and programmes, with a view to enriching political dialogue and cultural exchanges with 3rd countries;
4. Develop the competitiveness of the European cinematographic and audiovisual industry;

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<sup>31</sup> Marie Curie Actions are part of the specific Programme People, which is funded from the 7th Research Framework Programme of the EU (FP7), and supervised by DG EAC since 2010.

<sup>32</sup> [http://ec.europa.eu/dgs/education\\_culture/evalreports/mariecurie/report\\_en.pdf](http://ec.europa.eu/dgs/education_culture/evalreports/mariecurie/report_en.pdf)

<sup>33</sup> See Annex 7 – Annual Activity Report of REA.

<sup>34</sup> E.g. Marie Curie Presidency Conference in Cyprus where MCA prizes were awarded to the most promising researchers; biennial worldwide conference Euroscience Open Forum, etc.

5. Strengthen artistic and industrial cooperation between audiovisual professionals of third countries and those of the European Union; to improve the promotion and the circulation of audiovisual works of third countries within European markets and, reciprocally, of European audiovisual works in third country markets;
6. To measure media literacy levels.

The contribution of culture and its related industries to meeting the objectives of the **Europe 2020** strategy was highlighted in 2012 by further action proposed by the Commission to foster the right environment for these sectors to flourish in its communication on **cultural and creative sectors for creative growth** in the EU.<sup>35</sup> Another milestone in the culture area this year was the first EU quadrennial report on the 2005 UNESCO Convention on the diversity of cultural expressions, which provided an overview of its implementation despite pending ratification by the EU (see indicator 21).

Moreover, cooperation with other Commission services has intensified, particularly on the future cohesion policy, the flagship initiatives (Digital Agenda, Innovation Union, New Skills for Jobs), the European Creative Industries Alliance, as well as trade and competition related cases. As foreseen in the 2011-2014 Work Plan for Culture, expert groups set up in 2011 through the Open Method of Coordination concluded their work in issuing policy handbooks<sup>36</sup> for the attention of policy makers which explained how to strategically use EU structural funds to foster the potential of culture for regional development, to promote better access to culture, to practically reduce the costs of lending and borrowing cultural objects between Member States and to build a strong framework for artists mobility in this particularly critical time. Lastly, the structured dialogue with civil society continued through its three thematic culture Platforms.

Several other noteworthy events punctuated 2012 in the field of culture cooperation. The Commission has proposed to continue the **European Capitals of Culture (ECOC) action for the years to come** (see 1.1), while the two 2012 ECOCs (Guimarães, Maribor) and the selection for the 2017 title (Denmark, Greece) were implemented according to schedule. As confirmed by ex post evaluation (2011), this action has continued to contribute to the long-term regeneration of cities. Regarding the **EU Prizes**, the European Awards for pop music, for contemporary literature, as well as for Cultural Heritage were all awarded in 2012.<sup>37</sup>

As in previous years, the **Culture Programme 2007-2013** provided co-funding for cultural activities at the European level including transnational cultural cooperation projects, literary translation projects and support for cultural bodies of European interest. It was implemented according to plan, including major related dissemination actions. As a result of funding, it was estimated that 19,423 artists/cultural workers had been mobile, several thousand cultural works had been circulated in 2010 and 1,479 organisations were involved in 2011, either as co-ordinators or co-organisers.

In line with the Europe 2020 Strategy, the objectives of the European Union in the **audiovisual sector** are to support the audiovisual industry in terms of growth, competitiveness (see indicator 14) and employment. One of the main highlights in this field was the European contribution to nearly 100 International Film Festivals in Europe. It should also be noted that films supported by MEDIA have above-average success rates in top-rated festivals (8 out of 12 Cannes *Palmes d'Or* between 2000 and 2012 were MEDIA supported films). As for **Media Literacy**, expert work focused on the possible inclusion of media literacy into compulsory education and the possible launch of an assessment of media literacy levels in Europe.

The **MEDIA 2007 Programme** and the **MEDIA Mundus Programme** activities were implemented according to their work programmes (see 1.4). In spite of the financial crisis, resulting in the credit crunch in a number of Member States, the new MEDIA Production Guarantee Fund<sup>38</sup> is operational in 9 countries (see 2.1 as regards difficulties).

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<sup>35</sup> COM(2012)537

<sup>36</sup> [http://ec.europa.eu/culture/our-policy-development/policy-documents/omc-working-groups\\_en.htm](http://ec.europa.eu/culture/our-policy-development/policy-documents/omc-working-groups_en.htm)

<sup>37</sup> The biennial EU prize for contemporary architecture is planned to be awarded in 2013.

<sup>38</sup> A loan guarantee mechanism designed in the framework of the MEDIA 2007 Programme to facilitate the access of audio-visual professionals to bank credit. See the Internal Control Template in Annex 5.

Specific support for the digitisation of targeted independent cinema operators who screen a majority of European films has continued with 156 screens (+31) supported in year 2012. A new MEDIA website was made public.<sup>39</sup>

### 1.2.4 Encouraging and promoting cooperation in the fields of Youth and Sport

This activity aims to encourage and promote cooperation in the fields of youth and sport. The pursued specific objectives of this activity remained in 2012 as follows:

1. In the context of 'Youth on the Move', promote the mobility of young people with a view to improving their employability and their European citizenship through non formal learning activities;
2. Promote the potential and well-being of all young people by developing their skills, creating more opportunities and encouraging their participation in democratic life;
3. Develop the European dimension in Sport by strengthening the societal role, the economic dimension, and the governance of sport in the EU.

2012 confirmed that the economic crisis has hit young people hard, with **rising youth unemployment and poverty rates** (see indicators 7 and 8). Inclusive economic growth as pursued by the Europe 2020 Strategy including special initiatives (Youth on the Move campaign; Youth Opportunities Initiative) will help youth find new jobs. In the meantime, attention is needed to address the social ramifications of high sustained youth unemployment rates.

This is why in 2012 DG EAC continued to mainstream a youth dimension in EU policy-making along the eight fields of action of the **Youth Strategy** (2010-2018), promoting in particular youth participation in democratic life (see indicator 16) and volunteering (see indicator 17). A joint Commission and Council EU Youth Report was adopted to take stock of the implementation of the Strategy and give an outlook for the coming three-year cycle. Accompanying documents also strengthened the evidence-base for youth policy, notably by presenting an overview of initiatives and programmes in the EU, results of the Open Method of Coordination and a data analysis of the situation of young people.<sup>40</sup>

The DG further contributed to Council work under the Open Method of Coordination, resulting in a Council Resolution on fostering the creative and innovative potential of young people which called for the creation of a new expert group in this field and in Council Conclusions on the participation and social inclusion of young people with the emphasis on those with a migrant background. The Council also adopted a Resolution on the overview of the structured dialogue with young people on youth participation in democratic life in Europe, in particular to tackle the lack of engagement of youth with fewer opportunities.<sup>41</sup> Further to the EU Youth Strategy, cooperation started in 2012 to take on the challenge of making the European Youth portal<sup>42</sup> more interactive in the future.

The **Youth in Action Programme** (YiA) aims to support more opportunities for young people in education and employment (with particular support for *non-formal* learning experiences with a European dimension), to improve their full participation in society (including in terms of European citizenship) and to foster solidarity among the youth and between generations, in order to reinforce social cohesion in the EU (see indicators 3, 7, 8, 15, 16 and 17). In many countries no such programmes of cross-border mobility exist. In 2012, YiA supported an ever greater number of young people and youth workers; with 200,000 participants, the programme has proven itself to be increasingly attractive (more than 920,000 since 2007) and contributes to the effective recognition of non-formal learning (with 207,000 Youthpass - the YiA learning opportunities certificate - delivered since 2007). According to the 2011 monitoring survey, 67% of participants believe that their job chances have increased thanks to their YiA experience (61% in 2010).

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<sup>39</sup> [http://ec.europa.eu/culture/media/index\\_en.htm](http://ec.europa.eu/culture/media/index_en.htm)

<sup>40</sup> SWD(2012)256; SWD(2012)257, both linked to the Joint EU Youth Report, COM(2012)495




<sup>41</sup> The European Youth week was postponed to 2013 to allow synergy with the European Year of citizenship.


<sup>42</sup> <http://europa.eu/youth/index.cfm>





In the policy field of **Sport**, the Commission adopted a Recommendation for a Council Decision authorising the European Commission to participate, on behalf of the EU, in the negotiations for an international convention from the Council of Europe to combat the manipulation of sport results. Concerning anti-doping, based on the DG's preparatory work, the Council adopted Conclusions extending the mandate of the related Expert Group to recreational sport, as well as the EU's first contributions to the revision of the World Anti-Doping Code. Moreover, several deliverables from the Commission and Member State Expert Groups were submitted to the Council, leading to the adoption of Conclusions on promoting health-enhancing physical activity (see indicator 18), strengthening the evidence base for sport policy making and on establishing a strategy against match-fixing. EU Guidelines on Dual Careers of Athletes were also submitted to the Council for future consideration.

### 1.3 Impact indicators linked to the DG general objectives

2012 confirmed that the issues addressed by DG EAC are of high political and economic relevance and very close to the concerns of citizens. Notwithstanding the fact that the direct influence of the DG's actions on some of the indicators listed below is often limited, they illustrate that the DG is engaged in all its different policy domains. **All indicators from the 2012 management plan linked to Europe 2020 headline targets** as well as a number of other indicators linked to the DG's general objectives **showed progress**, as follows. In contrast, in 2012 as in 2011, two key dimensions for this DG, employability and youth economic situation both registered deterioration, but also this year as regards achievements in basic skills and in foreign language competences.

Legend of all indicator tables: ↑ (or ): trend closer to target; ↓ (or ): trend deviating from target; ↔ (or ): stable towards target; √: already on target; X: former target missed.




GENERAL OBJECTIVE 1: Raise the level and relevance of skills contributing to excellence and equity and make mobility a possibility for all young learners and researchers as contributions to an innovative, knowledge-base, smart and inclusive Europe.			
Impact Indicators	Latest known result	Milestones	Long-term targets
1  ↑	<b>Tertiary level attainment (Europe 2020 headline target)</b> 2011: 34.6% Spread of 7.7 points between male (30.8%) and female (38.5%) 2010: 33.5% Spread of 7.2 points between male (30%) and female (37.2%) 2000: 22.4% Spread of 0.5 points between male and female (Source: Eurostat, Labour Force Survey -LFS)	Monitored according to the Europe 2020 governance.	By 2020, at least 40% of 30-34 year olds should be higher education graduates.
2	Mobility of students, pupils, the vocational sector, teacher and trainers a) Higher Education: 2011: 14% (Source: Eurobarometer study)	a) Improved Eurostat data by 2014/15	By 2020 all young people in Europe must have the possibility to spend a part of their educational pathway in other Member States. a) By 2020, an EU average of at least 20 % of higher education graduates should have had period of higher education-related study or training (including work placements) abroad of at least 3 months or 15 ECTS.

		b) Vocational education and training (VET) estimated to be around 2-3% (FIN 5%, DE 3% NL 2-3%, SI 2%)	b) Eurostat household survey covering also VET mobility in 2014 (results by 2015).	b) By 2020 an EU average of at least 6 % of 18-34 year olds with an initial vocational education and training qualification should have had an initial VET-related study or training period of at least 2 weeks or less if documented with Europass.
3	Mobility of young people outside formal education settings (non-formal learning)	2011: 2% of young people aged 15-35 had stayed abroad for volunteering, 5% had stayed abroad within other non-formal contexts. (Source: Eurostat household survey – next data available in 2015)		Development of a global learning mobility indicator, which makes it possible to record any kind of learning experience abroad in which young people engage (for any duration, at any level of formal or non-formal learning mobility, including youth exchanges or voluntary activities)
4  ↓	Low achievers in basic skills	<ul style="list-style-type: none"> <li><b>Reading</b> (revised figures): 2009: 19.6% Spread of 12.6 points between girls (13.3%) and boys (25.9%) 2006: 23.1% (spread of 13 points)</li> <li><b>Maths:</b> 2009: 22.2% Reverse spread of 2.5 points between girls (23.5%) and boys (21.0%) 2006: 24.0%</li> <li><b>Science:</b> 2009: 17.7% Spread of 1.8 point between girls (16.8%) and boys (18.6%) 2006: 20.2% (Source: PISA, OECD - PISA 2012 results will be published in December 2013)</li> </ul>	By 2015, reduce low-achieving in reading literacy to 17%, which is 15% lower than in 2009	By 2020, less than 15% of 15-year-olds are low-achievers in basic skills (reading, mathematics and science). Particular attention is given to gender imbalances
5  ↑	Participation in pre-primary education and care	2010: 92.3% (2006: 89.3%) (Source: Eurostat, UOE)		By 2020, at least 95 % of children between 4-years old and the age for starting compulsory primary education participate in early childhood education.
6  ↑	<b>Early school leavers (Europe 2020 headline target)</b>	2011: 13.5% Spread of 3.7 points between males (15.3%) and females (11.6%). Foreign-born pupils: 24.9%  2010: 14.1% Spread of 3.7 points 2009: 14.4% Spread of 3.8 points 2008: 14.9% Spread of 4.0 points 2007: 15.1% Spread of 4.1 points 2000: 17.6% (Source: Eurostat, LFS)	Monitored according to the Europe 2020 governance.	By 2020, less than 10% of 18-24-year-olds have at most lower-secondary education and are not enrolled in education or training. Particular attention is given to gender imbalance and to groups at increased risk of early school leaving (foreign-born pupils or those with a migrant background)
7  ↓	Youth unemployment	2012: 23.4% (October) compared to overall EU unemployment rate of 11.6% 2010: 20.1% (September) 2009: 20.6% (April) (Source: Eurostat, LFS)	Ensure delivery of the Youth dimension in the Europe 2020 strategy (Youth on the Move) in particular regarding youth employment	By 2018, significantly decrease of youth unemployment >25 years old in the EU

8 ■ ↓	Youth poverty	2010: 21.1% 2009: 20.3% 2008: 20% (Source: Eurostat, SILC)	Ensure delivery of the Youth dimension in the Europe 2020 strategy (Youth on the Move) in particular regarding social inclusion	By 2018, the rate of young Europeans 18-24 years old at risk of poverty is reduced in the EU area
9 ■ ↓	Adult participation in lifelong learning	2011: 8.9% Spread of 1.4 points between males (8.2%), and females (9.6%) 9.1% in 2010 Spread of 1.7 points 9.5% in 2007-08 9.3% in 2009 (Source: Eurostat, LFS)	By 2015 at least 12.5%	By 2020, at least 15% of adult working age population (aged 25-64) participate in lifelong learning. Particular attention will be given to gender balance.
10 ■ ↓	<u>New indicator</u> <sup>43</sup> : Employability	2011: 77.2 % 2008: 82.0% (Source: Eurostat, LFS)	Monitored under ET2020	By 2020, at least 82% of the new graduates at ISCED 3-6 aged 20-34 should be in employment (graduation no more than 3 years before 2020)
11	<u>New indicator</u> : Dissemination of EIT innovations	2012: 15 organisation (Source: EIT)		By 2020: 600 organisations, not participating in the KICs, benefiting from EIT dissemination activities
12	Number of researchers in the EU 27 countries.	2009: about 1,549,538 2010: about 1,589,140 (Source: Eurostat –data for 2011 available in Nov 2013).	Monitored according to the Europe 2020 governance.	Increase of the number of researchers in the EU 27 countries.
<b>GENERAL OBJECTIVE 2:</b> <b>Foster creativity, promote intercultural dialogue and cultural and linguistic richness based on Europe's shared heritage and its diversity, while building the job-creating potential of the creative economy</b>				
	<i>Impact Indicators</i>	<i>Latest known result</i>	<i>Milestones</i>	<i>Long-term targets</i>
13	Percentage of EU citizens that associate the EU with cultural diversity	2009: 19% (Source: Eurobarometer survey <sup>44</sup> - to be measured again in 2013 if resources available)	We aim at an increase in the percentage by 2013. No quantified targets have been set.	
14	<u>New indicator</u> : Percentage of European audiovisual works in cinemas, TV and digital platforms	2009: 59% for cinemas (Source: European Audiovisual Observatory) 66% for TV; 48,2 % for Video on Demand (Source: Study on the implementation of the Audiovisual Media Services Directive, 2011)		Percentage of European audiovisual works on the European distribution platforms in 2020: 60% for cinema, 67% for TV, 67% for digital platforms.
15 ■ ↓	<u>New indicator</u> : Percentage of citizens able to speak more than one foreign language	2012: 25% 2005: 28% (Source: Eurobarometer)		30% by 2020 (Objective mother tongue+2)



<sup>43</sup> New ET2020 benchmark established by the Council in 2012 to reflect the role of education and training in raising employability.

<sup>44</sup> [http://ec.europa.eu/public\\_opinion/archives/eb/eb71/eb71\\_std\\_part1.pdf](http://ec.europa.eu/public_opinion/archives/eb/eb71/eb71_std_part1.pdf)

<b>GENERAL OBJECTIVE 3: Reinforce participation , solidarity and exchanges between the people in Europe, focusing on young people and on people engaging in sport and physical activity, in view of their contribution to European citizenship</b>			
<i>Impact Indicators</i>	<i>Latest known result</i>	<i>Milestones</i>	<i>Long-term targets</i>
16	Youth Participation	2011: 79 % of respondents (old enough to vote, up to age 30) in the EU reported that they participated in elections at any level during last 3 years. (No previous data available) 46 % of respondents (15-30) reported that they had participated in activities of a youth, sports, cultural or youth organisation during the last 12 months. (Most approaching 2007 result: 22% of young Europeans were members of an organisation.) (Source: Flash EB 319a)	2013: Inclusion of the objective of youth participation in the "Erasmus for all" programme.  By 2018, delivery on objectives for youth participation according to the EU Youth Strategy.
17  ↑	Youth Volunteering	2011: 24.2 % of respondents (15-30) reported that they had participated in organised voluntary activities in the last 12 months. (Most approaching 2007 result: 16% of young Europeans were engaged in voluntary activities.) (Source: Flash EB 319a)	2013: Inclusion of the European Voluntary Service in the "Erasmus for all" programme.  By 2018, increased number of young people carry out voluntary activities
18	Participation rates in sport and physical activity	2009: 27% of people aged over 15 engage in sport or physical activity 5x per week or more, in line with WHO recommendations (Source: Eurobarometer 2009 - No previous data available-next 2013)	By 2018, increased number of people engaged in sport and physical activity.
<b>GENERAL OBJECTIVE 4: Cooperate on all dimensions of the DG's policies with world partner countries or regions and with international organisations with a view to promoting European values, policy approaches and attractiveness worldwide, to integrating broader global experiences into the internal EU policy dialogue and to strengthening people to people contacts.</b>			
<i>Impact Indicators</i>	<i>Latest known result</i>	<i>Milestones</i>	<i>Long-term targets</i>
19  ↑	Non-EU countries students enrolled in the EU	2010: 1.1 million students from non-EU countries enrolled in higher education institutions in the EU including PhD candidates (2008: 980.000; 2007: 950,000 students) (Source: OECD, Eurostat) <sup>45</sup>	We aim at a yearly increase. No quantified targets have been set.
20  ↔	The world ranking of EU universities	2011: 190 higher education institutions of the EU, in the Shanghai top 500 World ranking (191 in 2010, 194 in 2009; 191 in 2005)	We aim at a yearly increase in number of excellent EU universities on worldwide ranking lists. No quantified targets have been set.

<sup>45</sup> OECD: 1.68 million non-national students in the EU 27 (including students from EU-countries); Eurostat: 0.58 million EU nationals studying in another EU country.



<p>21    </p>	<p>Implementation of the UNESCO convention on the Protection and Promotion of the Diversity of Cultural Expressions</p>	<p>2012: Convention ratified by 124 states but not yet by the EU (117 in 2011; 115 in 2010; 104 in 2009) (Source: UNESCO)</p>	<p>We aim at an international environment that protects and promotes diversity of cultural expressions. No quantified targets had been set: the number of ratifications is now satisfactory, while the geographic coverage by region is still uneven.</p>
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## PART 2. MANAGEMENT AND INTERNAL CONTROL SYSTEMS

### 2.1 Introduction to DG EAC

DG EAC is in charge of multiple policy areas which comprise **education and training, mobility of researchers, multilingualism, cultural and audiovisual cooperation, youth, and sports**. The Treaty limits the competence at the European level in these fields to complementary and transnational activities, such as policy cooperation. The DG's spending programmes implement actions mainly by means of grants funded under Title 15 of the budget. The administrative implementation of these programmes includes bodies outside the DG such as European Executive Agencies or National Agencies that operate within a given participating country. In addition to the programmes, services are provided to the entire Commission by the Central Library and the Traineeship Office.

In 2012, certain **new measures** influenced the work of the DG:

- The Commission launched its proposals for the next multiannual EU budget (see 1.1.2)
- The DG EAC decision-making process was simplified with the suppression of the Task Force of Directors and the IT steering committee to the benefit of the single Directors Board, the establishment of a Support function to each Director and the challenging but successful centralisation of financial circuits.

DG EAC remained organised in **six Directorates**<sup>46</sup>:

- Directorates A, B and C were responsible for Education and Training. Directorate A dealt with horizontal policy issues (Europe 2020 strategy, country analysis, skills and qualifications, equity, multilingualism, etc), Directorate B with sector-based education policies (except higher education) and the overall coordination of the Lifelong learning programme, and Directorate C with higher education, research issues (Marie Curie Actions, EIT) and international cooperation;
- Directorate D covered Culture and Media programmes, as well as related policy activities, and was responsible for the external communication of the DG;
- Directorate E dealt with youth, sports and managed the Central library of the Commission,
- Directorate R and the horizontal units continued to be responsible for overall coordination and administrative support and the management of the traineeship service of the Commission.

Over the last decade, DG EAC's profile and **human resources** allocation have increasingly moved to those of a mixed policy and programme supervisor DG, rather than a direct financial management DG. These changes resulted in the need for more Administrator level staff (49% compared to 40% in 2008) and a tendency to recruit staff with more specialist knowledge of the Member States' systems. In 2010, only a quarter of staff had a policy-making profile whereas, by the end of 2012, a third of staff had this

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<sup>46</sup> A new organisation chart was adopted in 2012 and will take effect as of 01.01.2013.

profile. In line with Commission policy, DG EAC registered reductions in financial staff (10% compared to 14% in 2010), as well as in support and policy co-ordination staff (10% compared to over 16% in 2010). On the other hand, the proportion of operational staff in DG EAC has been further reinforced (close to 75%, excluding corporate staff – the Central Library and the Traineeship Office), with a relatively increased share of resources devoted to education and training (see 2.2.1).<sup>47</sup>

The policies of the DG were supported by the following **main programmes**:

- Lifelong Learning Programme – 2007-2013 (LLP) with € 1.3 billion in terms of operational expenditures committed in 2012 (+8% in comparison to 2011);
- Marie Curie Actions of the People specific Programme – part of the 7<sup>th</sup> Research Framework Programme with € 1.0 billion (+11%);
- Youth in Action programme – 2007-2013 (YiA) with € 182 million (+16%);
- Erasmus Mundus programme– 2009-2013 with € 111 million (+9%).
- MEDIA – 2007-2013 and MEDIA Mundus with € 123 million (+2%);
- Culture programme – 2007-2013 with € 64 million (+6%);

In 2012, achievements in terms of efficiency in programme implementation included overall progress in the swift treatment of the national Declarations of assurance for LLP and YiA programmes,<sup>48</sup> in collecting data on EU funded mobility,<sup>49</sup> and in extending further dematerialised exchange with beneficiaries<sup>50</sup>. Although time consuming, progress was achieved in closing old files (LLP, YiA). In 2012, when it comes to funds managed by the DG, 98% of legal payment time limits were respected at the end of the year and the average payment time was remarkably reduced by 9 days to 18 days, in a recent context of recentralisation of financial circuits. Payments were especially accelerated by the Central Library – in spite of too long response time from contractors as regards numerous suspended invoices, as well as in the fields of missions (an activity accounting for a total of 2,765 days of mission) and expert reimbursements (overall 3,405 files). However the mismatch between commitment and payment appropriations granted by the Budgetary Authority in the 2012 budget resulted in a predictable situation of shortage of the latter as from mid-2012. This caused treasury difficulties for some National Agencies, as well as doubts in all media about the sustainability of the Programmes concerned (see 1.1).

The DG participates in the activities of three EU Agencies and bodies (see below as regards their supervision):

- EIT: the **European Institute for Innovation and Technology**, as mentioned above (1.2.1) is an independent EU body set up to address Europe's innovation gap.
- ETF: the **European Training Foundation** (Turin, Italy) helps the Union's partner countries develop education and training systems. The ETF also helps transition and developing countries reform their education, training and labour market systems in the context of the EU's external relations policy (see 1.1.3).
- Cedefop: the **European Centre for the Development of Vocational Training** (Thessaloniki, Greece) is the EU's reference centre for VET. It provides information on and analysis of E&T systems, policies, research and practice (see 1.2.1).

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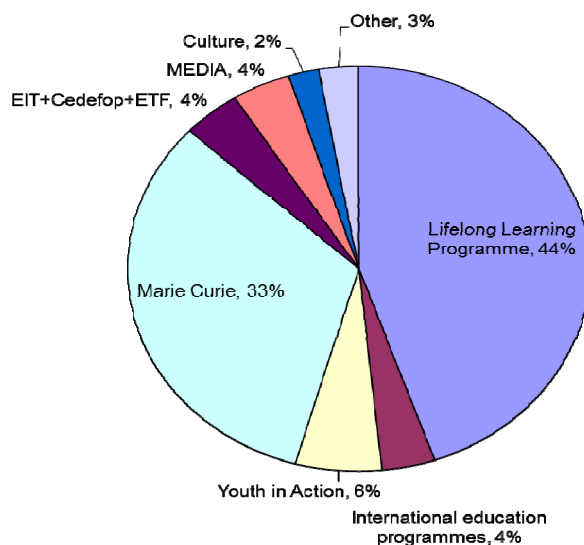
<sup>47</sup> See Annex 2 for more information on [human resources](#).

<sup>48</sup> By September 2012, the analysis of all 2011 declaration of assurance and yearly reports was communicated through feedback letters to all 75 National Agencies but 8 (compared to 17 in 2010).

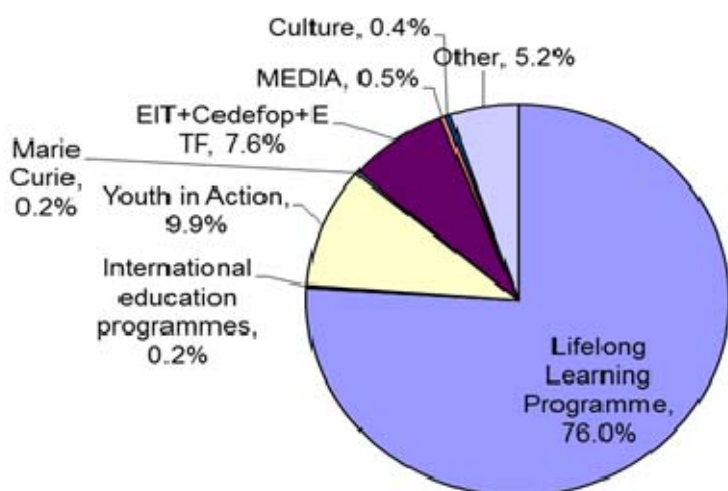
<sup>49</sup> The [Mobility Tool](#) allows collecting data on mobility on real time through importation from the NAs. In 2012, it was applied to Leonardo.

<sup>50</sup> [LLPLink](#) and [YouthLink](#) are key IT tools for submitting e-Form applications and e-reports on the implementation of their respective programmes.

The **total budget** for the projects and actions in the Education and Culture domain amounted in 2012 to **about € 3.0 billion** (+11% as compared to 2011) including administrative budget and the contribution of participating third countries.



The first graph shows the relative importance of the programmes and highlights the predominance of LLP and MCA. Thanks to close monitoring and timely revision of actual budget needs, the execution rate of the voted funds was again 100% for both commitments and payments (excluding administrative expenditure). The second pie chart shows the budget for which DG EAC is accountable itself.<sup>51</sup>



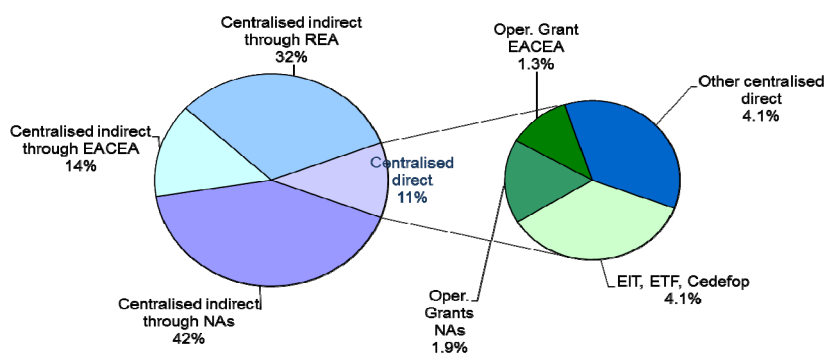
DG EAC's main programmes typically contain many diverse actions with a direct interaction with citizens in most cases. The programmes generally finance a high number of small actions and projects with a relatively short duration (rarely more than two years). The main actions can be summarised as follows:

<sup>51</sup> See Annex 3 for more information on financial resources for which DG EAC is accountable itself.

- **Mobility** actions, consisting of hundreds of thousands of individual grants, particularly in the LLP sub-programmes Erasmus and Leonardo da Vinci, as well as in MCA and in the YiA programme;
- **Cross-border Partnerships**, such as between schools (Comenius), adult training organisations (Grundtvig) or with regions (YiA), to which several thousands of organisations participate;
- **Support for networks** and operational grants to certain organisations;
- **Policy cooperation and support**, such as peer learning activities, development of qualification transparency tools, studies and comparative research.

In order to be able to implement such numerous and varied projects, in the current generation of programmes, DG EAC uses three different implementation modes, of which two forms of externalisation:

- **Centralised indirect management through National Agencies (NAs)** appointed and supervised by the National Authorities (NAUs) of the participating countries to the LLP and YiA programmes. This implementation mode is mainly used for mass mobility actions, partnerships, and certain cooperation projects. The actions implemented through NAs represent an increasing share of about 42% of the DG's budget. National agencies are equipped to manage the large volume of actions of relatively low amounts that require proximity to the beneficiaries. DG EAC retains full responsibility for these parts of the programmes.
- **Centralised indirect management through two EU Executive Agencies:** the Education Audiovisual and Culture Executive Agency (EACEA) and the Research Executive Agency (REA), mainly for those parts of EAC programmes where projects are allocated across Europe based on excellence. DG EAC's responsibility is executed through the Steering Committee of the Executive Agency. In compliance with the relevant Acts of Delegation, the actions implemented through the Executive Agencies contribute significantly to the objectives of the DG.<sup>52</sup> They represent close to half of the budget (14% by EACEA, 32% by REA). Their solid performance and efficiency indicators have resulted in incremental mandate extensions. In 2012, the implementation of the adult learning digital platform EPALe, the MEDIA Desk action (and MEDIA Mundus as from 2013) were delegated to EACEA.



- The remaining actions are implemented by DG EAC under **direct management**. This represents a constant 11% of the budget, including subsidies to agencies and other bodies (NAs, EACEA, Cedefop, ETF and since 2011 the EIT) which represent two thirds

<sup>52</sup> The second ECAEA evaluation (2008 –2010) and the first REA evaluation (2009-2012), on-going both, will include a cost-benefit analysis of the externalisation through Agencies including post 2013 scenarios.

of this amount. The remaining actions consist mainly of administrative expenditure (Central Library of the Commission<sup>53</sup>, Commission trainees<sup>54</sup>, studies, external communication, IT systems, etc.), policy support, politically sensitive actions, pilot projects and preparatory actions.<sup>55</sup>

Because of their nature, the implementation of the EAC programmes requires, more than other programmes, a reconciliation of safety of implementation with user friendliness and simplicity. The **management and control systems** have been designed taking into account the inherent characteristics of DG EAC's programmes, including the need for large scale externalisation. In order to counter the potential risks, DG EAC has strengthened the management and control structures in the current programmes by the introduction of an integrated control framework, where DG EAC's controls build upon controls executed by DG EAC's partners in the implementation of the programmes.

Within DG EAC, key decisions are taken after consulting the **Director's Board**, composed of the Director General, the Deputy Director General and the Directors. Reporting of key management indicators to senior management is centralised in a monthly Dashboard. On a general note, the burden of the past has been significantly reduced at DG level. The main issue is now to prevent the reoccurrence of an accumulation of untreated files. The DG continues to improve its procedures with the help of the Business Process Management Technique, also used with a view to preparing the new generation of programmes.

For actions under direct management and for the management of grants to the National Agencies, the Executive Agencies and the regulatory agencies, DG EAC had initially set up a decentralised internal financial circuit. However over years the large majority of financial transactions have been devolved to Executive Agencies. This is why the DG has implemented in 2012 a return to a centralised financial circuit, except as regards National Agencies and the Central Library. Since January 2012, financial initiation and verification tasks for all other transactions of the DG have been centralised in a single financial cell for the whole DG in order to concentrate the financial expertise and to benefit from actual economies of scale.

According to 2012 instructions, this AAR outlines the results of the supervision by DG EAC of Executive and traditional Agencies, as well as of financial instruments.

### Supervision of National Agencies

Under the current generation of programmes 2007-2013, DG EAC has introduced an integrated control system for management through National Agencies (NAs), with a more pronounced role and responsibility for the National Authorities (NAUs) of the participating countries. Within DG EAC, a Supervisory Group for National Agencies, under the responsibility of the Resources Director, prepares decisions and monitors their implementation. All individual management opinions for National Agencies are summarised yearly in **overall management opinions by programme**, which are signed by the responsible Directors. Since 2012, the new IT tool NA Lifecard makes it easier to follow-up all recommendations from the Management opinions (See 3.1 as regards the assurance related to the centralised indirect management through National Agencies).

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<sup>53</sup> The **Central Library** has further extended its collections (including from the transfer of several DGs local libraries) and strengthened its customer-orientation (e.g. online permanent survey), in spite of some IT upgrade delays. Awareness raising activities have been pursued across the Commission services with an e-resources user group and a new website providing direct access to relevant e-resources. As far as the cooperation with the Publications Office and the libraries of other EU institutions is concerned, the working paper on the long-term preservation of EU "grey literature" (internal reports and studies), for which the Central Library was "rapporteur", was published by the group of EU and associated libraries.

<sup>54</sup> In 2012, 1,368 trainees were recruited and placed within the Commission services, as planned. A new **Traineeship Office** website and paperless communication with trainees were developed. The overall satisfaction rate with the work of the Traineeship Office remains very high (around 90% among trainees).

<sup>55</sup> See Annex 3 for more information on DG **financial resources**. Figures include administrative budget and the contribution of participating third countries.

## Supervision of Executive Agencies

The Directors of the Executive Agencies falling under DG EAC's responsibility give assurance on the use of the funds delegated to them in their Annual Activity Reports, which are annexed to this report. The Commission retains a supervisory role of the activities of the agencies. The supervisory measures are implemented taking account of the structure and maturity of the respective agencies, as well as the status of DG EAC as a parent DG *vis-à-vis* the other parent DGs.<sup>56</sup>

### *The Education Audiovisual and Culture Executive Agency (EACEA)*

In his Annual Activity Report (AAR) 2012, as predicted by the 2011 risk analysis, the Director of **EACEA** has maintained his AAR 2011 reservation on the management of the current (2007-2013) Lifelong Learning Programme because of the occurrence of significant errors in the underlying transactions found through ex post controls by external auditors.<sup>57</sup> The materiality of the value at risk<sup>58</sup> related to the multi-annual detected error rates is 3.88% of the LLP programme for 2011-2012. However this value at risk accounts for only 0.7% of the total payments budget of EACEA for the same period (€ 8.4Mio for a total of 1.150Mio). The errors concern mainly the difficulties encountered by some beneficiaries in producing adequate justifying documents and the non-respect of some eligibility rules under the criteria of reimbursement of actual costs. All errors identified were recovered.

In response, the action plan set by EACEA in 2011 has been applied as planned across all programmes including LLP but will only bear fruits progressively due to the lifecycle of projects. This is why the Agency has not issued a new action plan but has monitored the implementation of the current one under the continuous supervision of DG EAC. While some actions, like better information to grant beneficiaries and strengthened monitoring visits were already in place, other actions like the distribution of a financial information kit and the move to audit certification under the new desk control strategy will bring significant benefits later. As requested, EACEA has furthermore calculated for the first time error rates on a multiannual basis as enough representative information is now available. While these actions are expected to result in some reduction in errors, a radical improvement can only be achieved in the period 2014-2020 via the proposed switch from cost-based grants to grants based on lump sums or flat rates under the future Erasmus for All programme.

The EACEA Director's declaration of assurance is complemented by the monitoring and supervision on the functioning of EACEA, which enables a close scrutiny of the alignment of implementation of policy objectives, through:

- The assessment of EACEA's new or amended legal acts and procedures;
- The systematic monitoring of EACEA through its Steering Committee completed with periodic horizontal coordination meetings at various appropriate levels;
- The assessment of the periodic reports of EACEA together with a structured monitoring of performance indicators in relation to the objectives of the Agency (including the error rate of ex post audits of projects) and of the management cost per programme;
- The implementation of the internal control standards in EACEA that have been externally evaluated as being of a satisfactory level;

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<sup>56</sup> See the Internal Control Template of each Agency in Annex 7 for a description of this management mode.

<sup>57</sup> See annex 7a. EACEA based its own 2011-2012 error rates on the results of 131 ex post random audits.

<sup>58</sup> The value at risk is calculated by multiplying the 'detected' error rate by the value of the closed projects for which a final payment and/or recovery order was done over the reporting period minus the value of corrections for the grants from the audited population, which has been corrected from the errors detected. The materiality of the value at risk is calculated by comparing the value at risk with the total amounts of payments made over the same period.

- The monitoring of the implementation of the action plan following EACEA's first 'three-yearly' evaluation, as well as the audits carried out by the various bodies that control the Agency (Internal Audit Capabilities (IACs) of EACEA and DG EAC, Internal Audit Service of the Commission (IAS) and European Court of Auditors) and the validation by other bodies of EACEA's systems (e.g. DG Budget's compulsory annual validation of EACEA's accounting systems), in order to verify that policy objectives are reached in a effective, efficient and economic manner.

In function of the results obtained from the above controls, **DG EAC has not observed any elements in the supervision of the EACEA that would call into doubt the EACEA Director's declaration.**

*The Research Executive Agency (REA)*

DG EAC is a parent DG of **REA**. The implementing of the People programme delegated to REA represents with € 966 million, 67% of REAs financial activity. However, DG Research and Innovation is the lead parent DG. At the end of 2012 the agency was managing almost 5,000 running projects which correspond to an open balance of more than € 700 million.

In his AAR 2012, the Director of REA has not made any reservation concerning specifically the actions supervised by DG EAC. The reservation relates to the Research Framework Programme (FP7) as a whole under the methodology of the Common Audit Sample. The development of the error rate under the People programme, insofar as it shows a lower impact due to the different nature of its regularity risk compared to FP7 as a whole, will have to be monitored as the results of representative audits in this area reach a sufficient volume.

The 1.9% detected error rate (3.3% in AAR 2011) on projects audited ex post under the representative strand for the People programme is estimated to have a budgetary impact<sup>59</sup> on EU funding granted of 0.7% only (0.2% in 2011). Given the low number of audit findings, this error rate can not yet be retained as a statistically reliable estimate but corroborates the assessment of a low risk level of legality and regularity errors inherent to the People programme.<sup>60</sup> Indeed the financing modalities for researchers mobility grants are based on an extensive use of flat rates and remain much simpler compared to other parts of FP7. The impact in terms of unjustified EU funding of the main type of error (i.e. underpayment of searchers) remains fairly low.

The Director of REA confirms in his AAR that he has sufficient assurance on the proper use of resources and that the available control procedures provide the necessary guarantees on the legality and regularity of underlying transactions for the programme managed for DG EAC.

The REA Director's declaration of assurance is complemented by the monitoring and supervision on the functioning of REA through the same elements as listed above for EACEA, but the scope of the supervision measures is adapted to the specific context:

- REA intervenes in the implementation of (only) one programme on behalf of DG EAC, falling under the responsibility of one operational unit in the DG;
- DG Research and Innovation acts as lead parent DG, being responsible for the budget line of the operating subsidy and for completing the formal Commission legal procedures (e.g. the passing for adoption of annual work programme) for REA.

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<sup>59</sup> The difference between the gross error rate and the budgetary impact is due to the fact that some negative adjustments detected through an audit relate to the reporting period, but will not have budgetary impact on the project because the correct eligible costs and financial contribution will be calculated by the final payment.

<sup>60</sup> See annex 7b. Final audit findings are available for 140 projects over 2009-2012 of which 20 under the representative strand.

The supervision of REA has been improved, following audit recommendations (composition of the Steering Committee, internal division of labour, improvement of performance indicators). The Memorandum of Understanding which lays down the provisions for the supervision of REA by its different parent DGs was updated in 2012 to reflect the nomination of DG EAC as the Agency's third parent DG following the transfer of the People programme.

In function of the results obtained from the above controls, **DG EAC has not observed any elements in the supervision of REA that would call into doubt the REA Director's declaration.**

*Supervision of Traditional Agencies: European Centre for the Development of Vocational Training (Cedefop) and European Training Foundation (ETF)*

As parent DG, DG EAC participates in the statutory bodies of both agencies, as chair of the Governing Board for ETF (twice a year) and as vice chair and simple member of the Governing Board and Bureau of Cedefop (5 times a year). In addition, frequent coordination or working level meetings take place, such as the structured dialogue for ETF with other Commission services. All significant decisions to be taken by the ETF and Cedefop Governing Boards are validated by written procedures. For instance, the Commission adopts an Opinion on the draft work programme of the ETF, which in its final form is adopted by the Governing Board. According to the memorandum of understanding laying down the working arrangements for the management of financial transfers between EAC and both agencies, each payment request accompanied by annexes detailing the consumption of the agency budget is submitted to DG EAC for approval. In 2012, the Commission transmitted to the other institutions its report on the ETF evaluation. The external evaluation of CEDEFOP should be completed by mid- 2013.

*Supervision of the European Institute of Innovation and Technology (EIT)*

In 2011, the Commission had granted partial financial autonomy to the EIT (see 1.2.1). Meanwhile DG EAC has retained the competence to provide ex ante verification regarding two significant modes of implementation (i.e. KIC grant management and high value tender procedures), according to agreed arrangements. The EIT headquarters made thereafter significant progress in 2012 in building their administrative capacity, notably in terms of relation with the KICs.

However further systematic action is needed to address current remaining shortcomings. As a result the aforementioned action plan agreed in 2012 for supporting the EIT in this critical transition is being followed closely (see 2.2.2). DG EAC took two steps in 2012. First, its EIT support team has been reinforced to provide enhanced assistance, in spite of the fact that the autonomy of the EIT should go with a gradual decrease of support from the Commission. Secondly, coaching sessions were provided by DG EAC to the EIT staff. DG EAC has undertaken an assessment of the EIT's readiness for full financial autonomy, taking into account the available findings of the Court of Auditors (CoA), IAS and EIT-IAC.

*Supervision of the MEDIA Production Guarantee Fund (MPGF)*

Based on the ex-ante validation of its control manual, 2012 supervision audits and monitoring visits to delegated bodies,<sup>61</sup> the internal control system of the Fund is considered effective. Both delegated bodies managing this new financial instrument rely on an internal audit conducted by independent companies. In addition, the supervision audits carried in 2012 gave assurance that both delegated bodies had sufficient levels of management quality and human resources. Despite the overall positive assessment, the supervisory visit revealed a number of observations addressed to delegated bodies,

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<sup>61</sup> Following a call in 2010, the Commission has delegated the MPGF management to two companies: Audiovisual SGR (Spain) and the Institut pour le Financement du Cinéma et des Industries Culturelles (France).



mainly on treasury management, yearly implementation reporting, document management, documentation of procedures and internal audit. The implementation of the recommendations will be followed during the next annual monitoring visit. Moreover due to the economic crisis, one of the delegated bodies (Audiovisual SGR) did not grant the expected number of guarantees (see 1.2.3). Hence € 1 million was reallocated to other MEDIA actions and additional efforts to promote this instrument were agreed between the Commission and Audiovisual SGR through contract amendments.

Based on the Court of Auditors 2011 reports on the annual accounts of Cedefop, EIT and ETF, and following the recommendation of the Council, the European Parliament's Committee on Budgetary Control has granted discharge to the Directors with regard to the implementation of the budgets of these entities for the financial year 2011. The resolutions in the European Parliament's draft final 2011 discharge report, subject to vote in April, are not of a nature to raise difficulties for these Agencies.

**In its parent DG capacity, DG EAC has not observed any elements in its supervision of ETF, Cedefop, EIT and MPMF that would impact its declaration of assurance.**

## 2.2 The functioning of the entire internal control system

In 2012, efforts continued to further improve the quality of DG EAC's management framework and practices. The sections below outline in that respect the state of play of the internal control system as of 31 December 2012, list improvements obtained during 2012 on prioritised Internal Control Standards (ICS) and highlight areas for further improvement in 2013.

This assessment is based on the overall supervision of the design and implementation of the Internal Control System by the Internal Control Coordinator; close supervision of compliance and effectiveness provided by lead coordination units through structured desk reviews; annual review exercise carried out this year via a specific working group with the new aforementioned Support of Directors (SUD) and complements from other monitoring and reporting tools in place for supervising the proper functioning of the DG (e.g. AOSD reports, etc), in depth follow-up of recommendations (IAC/IAS/COA), 2012 risk assessment, Commission Synthesis, IAS and DG BUDG overall opinions and 2012 specific Central Services requirement on ICS.

### 2.2.1 Effective implementation of the prioritised internal control standards

Progress was recorded in 2012 on all standards prioritised in DG EAC's Management Plan 2012 due to a careful implementation by the DG of its 2012 overview action plan, especially as regards the following 3 prioritised areas:

- **Allocation of resources** (ICS 3) as efforts to align resources and priorities are to be strengthened in the general context of the preparation of new programmes and staff reduction (see 2.1). With a relatively larger share devoted to education, human resources across the DG were redeployed in 2012, despite overall cuts, towards new priorities (see 1.1) e.g. reinforcement as regards Europe 2020, country analysis (+7), Rethinking Education package and follow-up (+2), the EIT-building process (+3.5), the European Capitals of Culture, etc. In 2012, extra resources have been allocated to business Units to follow better IT projects. In contrast a more selective approach was taken towards certain events (e.g. in America), preparatory or communication activities so as to focus on other issues (e.g. the OMC work on multilingualism).

To respect the commitment of the Commission to progressively reduce staff by 5% by 2017, efficiency gains were achieved in 2012, notably by centralising financial circuits, and allowed staffing level to be reduced by 1% without hindering so far the achievement of objectives. A multiannual HR framework was adopted in particular to meet new skills requirements. The requirement to continue to reduce staff by up to 2% a year risks nevertheless compromising priorities from 2014 onwards with the development of new programmes, the EIT, the European semester and the dialogue with major third country partners.

- **Operational structures/information and internal communication** (ICS 7/12): in view to improve horizontal cooperation working practices (no "silos"), bottom-up as well as inclusive and transparent decision-making, and transversal internal communication. A new governance strategy has been adopted in 2012 by DG EAC in order to reinforce and streamline the decision making process, rules on documentation, information, communication and follow-up of decisions. Further implementation is foreseen in 2013 to ensure that all stakeholders are sufficiently involved in the upstream preparation of decisions. At DG level, horizontal coordination has been improved for instance through the pre-planning of mid-term issues which require decision in the Director Board, the coordination role of the Deputy DG towards the three education and training directorates, as well as the supporting function of Directorate in charge of political development, towards country desks and thematic units in the context of Europe 2020 and the programming of the structural funds. In 2012, the internal groups set-up to prepare the implementation of the new programmes have been working across Directorates to break the silos logic. Furthermore, new coordination meetings at Director level improved communication between the business and the IT side and led to a business driven planning of IT deliverables. When it comes to the quality of policy initiatives proposed by the DG, the establishment of an internal Quality Assurance Group in 2011 has yet not resulted in better success rate in the Commission Impact Assessment Board. Thus, DG EAC has considered developing a specific methodology for Impact Assessments addressing Council Recommendations.<sup>62</sup>

At Directorate level, horizontal coordination has been strengthened equally thanks to the contribution of new cells supporting Directors (SUD), recently established as a consequence of the centralisation of financial circuits.

When it comes to transversal communication, the format of the annual 'All-staff' meeting (over 400 participants) was revised to make it more participative. Lunchtime Conferences and "Off-the-record" sessions engaged more staff from different parts of the DG together around issues of common interest. Actions were pursued to ensure that all staff is aware of the decision making process or to strengthen "bottom-up" information in the DG, as well as the "participatory" style of running discussions. On the EAC Intranet, weekly video briefings provided broadly accessible information on topics of general interest. There is nevertheless room for improvement in making the two-way flow of information between management and staff more systematic and in recognising more the work, talents and creativity of staff.

- **Business continuity** (ICS 10), as tests on IT systems have to be extended and staff is to be made sufficiently aware of DG EAC's business continuity plan requirements. In 2012, the Business Continuity Plan could not be revised, but it was partly kept up-to-date, while the IT Disaster Recovery Plan was completed and partly tested. Following a comprehensive review, all IT systems have been brought into state of compliance with adequate security standards; further improvements are to be pursued in the field of Business continuity with a view to updating plans, testing IT tools and raising awareness after the move of DG EAC to new premises.

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<sup>62</sup>In most cases the resubmissions of Impact Assessments have concerned Council Recommendations. As this is an instrument that should reach its effects in an indirect way – i.e. through voluntary measures by the Member States – there is a great challenge to quantify impacts and to identify alternatives to the preferred option.

The level of effectiveness for other internal control standards remained satisfactory according to the reporting of and the debriefing with each Directorate and where necessary actions will be taken

## 2.2.2 Conclusion on the effectiveness of the entire control system

In 2012, only a very limited number (9) of ICS baselines are assessed as partially implemented mainly due to IAC findings or new requirements introduced in 2012. This could not be considered as prejudicial to the overall state of compliance in 2012 and DG EAC pursues different actions to ensure prompt implementation. No internal control deficiencies were reported under the foreseen procedure (ICS 12), whereas other internal channels of communication proved to be more efficient in that respect.

The overall effectiveness of the implementation of ICS in DG EAC can again be observed including the non-financial activities. This is the result of the constant attention by management to taking ownership of DG EAC's internal control system. To strengthen ICS effectiveness, each open audit recommendation (IAC, IAS, European Court of Auditors, Synthesis...) has been linked to a specific ICS since 2010 and closely monitored (see 3.1.2)

In 2012, actions have been implemented with success to further improve the quality of DG EAC's management framework and practices, based on audit works and risk assessment conducted in parallel with the elaboration of the 2012 Management Plan. The risk assessment had identified several areas of political, operational and administrative high level risks, but no critical risk. In 2012, the internal auditors found that risk management within the DG benefited from a high level of awareness among management and an active monitoring (IAC), and was a best practice in terms of incorporation in the planning and programming cycle (IAS). During the year, the level of risk associated to the EIT has been revised upward (see 1.2.1) and the risk to face on-time delivery problems with the IT tools of new programmes has remained high (see 1.1.2). Nevertheless all risks have been reduced via adequate actions plans, except the update of the supervision of Executive Agencies which has been delayed. Nevertheless, there is a limited exposure to risk: risks are properly evaluated and follow-up and controls and reporting issued for proper supervision and are part of DG EAC declaration of assurance.

Taking into account the preceding information, it can be confirmed that the internal control system of DG EAC is functioning as intended. Meanwhile senior Management has identified the following areas where effectiveness needs to be further improved in 2013.

- In order to take into account the reorganisation as from 1 January 2013 in a context of Commission-wide staff reduction, the implementation of new programmes and the follow-up of the internal audit work, in particular the IAC management letter on the planning and monitoring of activities and resources, the priorities are:
  - **Mission, objectives & indicators, staff allocation & job description** (ICS 1, 3, 4, 5) to be coherence check and further aligned at each management level;
  - **Business Continuity** (ICS 10) as far as handover and back up are concerned;
  - **Internal communication** (ICS 12) to foster a shared knowledge of the working and management environment.
- In order to take into account in addition the new context of delegation to Agencies and the autonomy of EIT, a priority is to be added:
  - **Supervision** (ICS 9) with the intention to update the supervision strategy based on risk and to adapt it to each specific context of delegation.

DG EAC will establish in 2013 an overall action plan to tackle the identified priority areas which will be monitored on a regular basis.

## 2.3 Information to the Commissioner

The main elements of this report and assurance declaration have been brought to the attention of Commissioner Vassiliou.

### Implementation of working arrangements with Commissioner and Cabinet

The working arrangements with Commissioner Vassiliou and her Cabinet were correctly implemented. The system of regular meetings proved effective in enabling both the services and political sides to coordinate activities, to prepare for particular events, to agree positions on (legislative) dossiers and to anticipate difficulties.

No organisational change has occurred in 2012. Policy meetings with the Commissioner are organised on an as needed-basis. Meetings with the Cabinet took place every 2 or 3 weeks at the level of the director general, deputy director general or directors.

The cooperation on consultation and adoption procedures was good. Overall workload has slightly increased (5,066 items). Briefings and speeches were delivered on time. Comments or suggestions were quickly accommodated. The mid-year reporting on the implementation of the Management Plan was also timely delivered. Information on the budget execution was provided to the Commissioner on a monthly basis.

# **PART 3. BUILDING BLOCKS TOWARDS THE DECLARATION OF ASSURANCE (AND POSSIBLE RESERVATIONS TO IT)**

## **3.1 Building blocks towards reasonable assurance**

As explained in section 2.1, DG EAC implements its programmes through three management modes: centralised indirect management through National Agencies, centralised indirect management through the executive agencies EACEA and REA, and centralised direct management by the DG. As the Directors of the executive agencies are Authorising Officers by Delegation for the parts of the programmes delegated to them, they take responsibility for this spending in their declaration of assurance in the AARs of the executive agencies. Consequently, the spending through executive agencies is not part of the declaration of assurance of the Director General of the parent DGs (See 2.1).

The two management modes that are part of the declaration of assurance of the Director General of DG EAC have very different risk profiles and have their own control and supervision arrangements. Therefore, it is more meaningful to judge any weaknesses found against the part of the budget spent in each specific management mode. If the amount at risk surpasses 2% of the budget spent through a specific management mode during the year, a reservation should be considered.

### **3.1.1 Building block 1: Assessment by management**

This section discusses each management mode separately. In order to capture the multi-annual nature of 2007-2013 programmes and according to 2012 central instructions, this AAR introduces for the first time<sup>63</sup> a *multiannual* calculation of error rates and extends the calculation of *residual* error rates (after corrections/recoveries) where available.

#### Centralised indirect management through National Agencies

Under the current generation of programmes 2007-2013, the first level of controls on beneficiaries is executed by the National Agencies. Secondary controls over the supervisory and control systems of the NAs are carried out by the National Authorities. DG EAC's third level of supervisory controls aims to review the national control systems (primary and secondary controls).<sup>64</sup> In addition, DG EAC received ex ante formal assurance from the National Authorities on the proper functioning of the control system of the National Agencies.

Drawing lessons from the received declarations and reports, the DG has continuously clarified and further specified the instructions for the reports and declarations to ensure that the information received would be more precise and complete. Thanks to the stabilisation of the guidelines since 2011, both participating countries and the Commission are now well accustomed to the control system.

As a result, 2011 declarations of assurance and reports<sup>65</sup> showed a further improvement in quality and relevance, and were received<sup>66</sup> and treated earlier than before (see achievements in terms of programmes efficiency under 2.1), allowing a timely resolution of issues and a good overview of the effectiveness of the management mode in due time

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<sup>63</sup>As the first significant batch of audits concerning the 2007-2013 programmes was available for the AAR 2011, we now have two years of audits to apply a multi-annual approach.

<sup>64</sup> See the Internal Control Template in Annex 5 for a detailed description of this management mode.

<sup>65</sup> Including fully Croatia and Switzerland for the first time.

<sup>66</sup> Only 20% of documents required from NAs were received after the deadline of 30 April (almost 75% in 2011).

for all countries. The additional availability of underlying audit reports also contributed to the better quality.<sup>67</sup>

In the discharge of 10 May 2012 of the 2010 accounts (based on DAS 2010 of Court of Auditors), the EP and the Council recommended EAC to continue its efforts for ensuring that primary and secondary controls are effective. As EAC has continuously made efforts to this end, the DG was able to close the recommendations right away.

On top of the external assurances from participating countries, DG EAC has conducted a number of direct controls in 2012:

- 8 financial ex post audits of NAs<sup>68</sup> have been finalised on time to be included in the analysis for this AAR, covering overall 6 participating countries, 4 NAs for each of the two programmes and 3.6% of the total programme budget;
- 20 supervisory visits to NAU/NAAs were executed, covering overall 10 participating countries for LLP and 10 for YiA.

Since 2011, DG EAC has implemented measures to increase the efficiency of the single audit approach through the provision of multi-annual audit plans from National Authorities, better targeted and standardised supervisory visits from DG EAC into one single programme of visits. These changes result into an increased level of knowledge in DG EAC, greater efficiency of controls and reduced overlaps while increasing the overall assurance resulting from the realised controls. Over the six years of implementation of the programmes, all NAs and/or their NAUs have been audited or visited for supervisory or monitoring reasons, except two for LLP (Ireland and Slovenia).

The assurance on the functioning of the control system was further strengthened by:

- Frequent contacts with NAs and NAUs (at management and desk level; trainings, in particular to ensure that NA staff are well informed of implementation rules, and to clarify to the NAUs their supervisory role vis-à-vis NAs).
- Monitoring of complaints from applicants and beneficiaries which revealed a very limited number of complaints received compared to the very high number of supported projects. Their analysis has not revealed systemic failures.
- Prompt follow up of a small number of cases of presumed irregularity or fraud reported in 2012 (see below).

As a result of the above, DG EAC considers it has a sufficiently complete knowledge of the way in which its programmes are implemented by NAs. The most important conclusions of the supervision and control activities in 2012 are:

- The NAs and NAUs continued to follow up effectively on observations resulting from previous declarations, reports or monitoring visits, thus confirming the level of assurance for DG EAC. NAs/NAUs have taken appropriate action to allow the removal of all previous critical observations, while no new critical observations were issued in 2012. As in 2011, for 9 out of the 10 control areas, less than 10% of NAs or NAUs now have an outstanding very important observation. In the area of primary controls, this is the case in less than 20% of NAs.
- The results of the financial audits mentioned above show a modest average residual error rate of 0.1%, lower than most of previous observations (0.4% in AAR 2011; 0.3% in AAR 2010; 0.6% in AAR 2009; 0.03% in AAR 2008; 0.5% in

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<sup>67</sup> Since 2012, National Authorities have to submit their audit reports produced in the context of their secondary (national) controls. This new approach provides valuable additional information on control results, hence a positive impact on the quality of the Declarations of Assurance.

<sup>68</sup> The reduction of the number of audits in 2012 is due to the combination of an exceptional situation in 2011 (21 audits instead of 10, due to a general change in audit planning) and the premature end of the DG Budget audit framework contract previously used.

AAR 2007). As in previous years, the observed error differs between the two programmes: LLP subtotal error rate: 0.01%; YiA: 0.4%. The observed error rate cannot be extrapolated to the full population (and even less to the population of individual programmes), as the yearly number of audits conducted is limited.<sup>69</sup> Nevertheless, the moderate level of the error rate over years indicates the quality of the level of controls. They do not necessarily represent an error for the budget as the reports audited have been received by DG EAC but not settled yet. Approached from a **multiannual perspective** (29 audits over 2011-12) and taking into account the impact of recoveries,<sup>70</sup> the results show a modest multiannual residual error rate of 0.5% (LLP: 0.2%; YiA: 0.9%).<sup>71</sup>

- In 2012, the error rate detected by LLP National Agencies in their (random) ex post controls on actions funded from the 2008 budget was 0.65% for LLP (compared to 0.53% in 2011). There was no structural increase for a particular sub-programme, or programme country. Due to the slightly different structure of ex post controls for YiA NAs (resulting notably from the average smaller size of the supported projects), this detected error rate is only available for LLP. On average, the multi-annual NA error rate over 2011-2012 is 0.6%.

Assuming that the error rate detected in primary controls in YiA is equal to the one found for LLP,<sup>72</sup> the resulting combined error rate observed from controls and audits is 0.83%.<sup>73</sup> The coverage of the error rates observed by the financial audits of NAs and by the NAs' primary controls is indeed complementary and there is only little overlap between the two. While NA primary controls are designed to detect errors from beneficiaries that were not detected by the ex ante control system in the NA, financial audits focus on errors made by the NA (both ex ante and ex post).<sup>74</sup> It has, therefore, been decided to add both error rates when calculating the error rate under centralised indirect management.

**The Directors responsible for the implementation** of the LLP and YiA programmes have issued a qualified opinion on the implementation through NAs concluding to an acceptable assurance with qualifications. They consider that National Authorities and National Agencies have put in place appropriate management and control systems and that they function effectively so as to give reasonable assurance on the legality and regularity of the underlying operations. In contrast to 2010, there was again no agency without assurance this year (3 in 2010) and only 5 agencies with partial assurance. This results in particular from the quality improvement of secondary checks, ensuring that weaknesses are detected and remedies found.

All other 70 agencies are considered to have given reasonable assurance, including Malta (LLP and YiA) and Portugal (LLP), which were all countries with only partial assurance in the previous AAR. These agencies could be classified as giving reasonable assurance because they took appropriate corrective measures.

<sup>69</sup> Extending the sample of ADEC audits does not seem warranted for cost reasons and to avoid excessive audit burden on NAs and NAUs, and is not needed given the low observed error rates.

<sup>70</sup> Since 2012 DG EAC follows more systematically recoveries after audits directly within the Commission accounting system (ABAC/Forecast of Revenues).

<sup>71</sup> When taking into account the recoveries already made, the overall and LLP rates stay largely unchanged, but the YiA rate declines from 1.0% to 0.9%. An amount of € 158,586.55 has already been recovered, out of a total of € 199,239.13 to be recovered (80% recovered). All completed recoveries concern the YiA agencies.

<sup>72</sup> As YiA NAs verify supporting documents systematically ex ante, which is not the case for LLP, the corresponding ex post error rate is likely not to be higher than for LLP. Assuming the same error rate for YiA as for LLP therefore seems a cautious approach.

<sup>73</sup> The error rate combining the results of financial audits and primary ex post controls is calculated as follows:

$$\frac{(A_{LLP} + P_{LLP}) * W_{LLP} + (A_{YiA} + P_{YiA}) * W_{YiA}}{(0.2\% + 0.6\%) * 89.0\% + (0.9\% + 0.6\%) * 11.0\%} = 0.83\%$$

where:  $A_X$  = error rate observed in financial audits for programme X

$P_X$  = Primary ex post control error rate for programme X (here:  $P_{LLP} = P_{YiA}$ )

$W_X$  = budget weight of programme X in total budget

<sup>74</sup> While NA primary controls may also detect errors made by the NA (which would constitute an overlap with ADEC audits) this is not their primary objective and the number of cases can be assumed to be limited.

Countries with partial assurance in 2012 are Belgium (both German- and French-speaking Communities) and Liechtenstein regarding LLP, as well as Greece again and Portugal regarding YiA.

- The Belgium (French speaking Community) NA for LLP faced an important number of opened observations due to the lack of information from the NAU on their follow-up.
- The Belgium (German speaking Community) NA for LLP was not compliant with the contractual timetable and only partially compliant with requirements in particular related to adequate staffing, segregation of duties and checks of grant beneficiaries.
- The NA of Liechtenstein for LLP was not compliant in particular in relation as well to adequate staffing, segregation of duties and checks of grant beneficiaries, but also in terms of documentation of internal procedures and grant award procedure.
- In Portugal (YiA), despite a very good level of programme implementation, the number of open issues of non-compliance has remained high. The general NA reporting and completion were late and the financial management quality below average.
- Greece (YiA) received this qualified opinion for the 3rd consecutive year, despite reinforced support from DG EAC, as the NA has still faced difficulties in management which might negatively impact its overall performance. The NA reporting was delayed and below average. Compliance and follow-up on observations were insufficient. Nonetheless, the programme implementation remained acceptable, as well as the secondary controls.

In all cases, the Commission in cooperation with the NAUs will ensure reinforced monitoring in 2013. Overall these deficiencies have a moderate impact on the functioning of key elements of the management and control systems, considering their scope and the remedial and precautionary measures taken.

To limit the impact of the weaknesses and material deficiencies noted above, the following corrective and precautionary measures have been taken:

- A regular desk review of progress reported in 2012 by the National Authorities that had received a partial assurance for the AAR 2011 according to the remedial action plans agreed with them.
- Frequent contacts, meetings and trainings with NAUs/NAs took place.
- DG EAC made use of financial corrections and suspension of payments in 2012 as instruments to ensure a proper management of the YiA programme.<sup>75</sup>

Based on the conclusions above, DG EAC's methodology for defining the materiality criteria<sup>76</sup>, which received a positive assessment<sup>77</sup> from the European Court of Auditors in its Annual Report 2009, foresees the application of the following error rates for the different groups of NAs, which were identified in particular on the basis of the reporting by Authorising Officers by sub-delegation on the use of resources:

- NAs/NAUs with no assurance: 20%
- NAs/NAUs with partial assurance: 5%
- NAs/NAUs with acceptable assurance: combined multiannual error rate detected in financial audits and primary controls by NAs 0.83%

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<sup>75</sup> Payment remained suspended in Hungary and Greece (see footnote 24 of AAR 2011), until the newly transformed NAs were proven to be fully compliant in April 2012. Furthermore in Greece a financial correction of 5 % was applied for remaining backlog files, as the NA was unable to provide consistent certifications of accounts and final reports.

<sup>76</sup> See Annex 4 on materiality criteria.

<sup>77</sup> Overall assessment of reliability level "A". See annex 7.3 of the Annual Report of the European Court of Auditors 2009, OJ C303 of 9.11.2010, p.171



For the multi-annual approach, NAs that were considered lacking a reasonable assurance in the past are only included in the calculation of this year's error rate if the observed past weaknesses have not been corrected yet (which is the case of Greece in 2012).

The table below shows that this leads to an aggregate multiannual error rate for the implementation through NAs of 0.9%. As this is below the 2% threshold, there is **no need to make a reservation for this management mode**.

<b>National Agencies / National Authorities</b>	<b>Error rate (1)</b>	<b>Weight (*) (2)</b>	<b>Contribution to error rate (1)*(2)</b>
No assurance: no case in 2012	20%	0%	0%
Partial assurance: - LLP: Belgium (German- and French-speaking Communities), Liechtenstein - YiA: Greece, Portugal	5%	0.9%	0.05%
Reasonable assurance	0.83%	99.1%	0.82%
<b>Total</b>		<b>100%</b>	<b>0.9%</b>

(\*) Based on the share of the concerned NAs in the total budget spent through NAs

The total error rate of 0.9% confirms the decreasing trend observed since 2009 (2011: 1%; 2010: 1.8%; 2009: 1.7%), despite the inclusion of the error rate observed in primary controls by NAs since 2011. This is primarily thanks to the progress made by NAs and NAUs on removing deficiencies in their management and control systems, resulting in a higher degree of assurance obtained. While in the AAR 2010 countries representing as much as 29% of the budget had not been considered to have provided reasonable assurance (of which 1 percentage point provided no assurance), this was only the case for 3% of the budget in 2011 and 0.9% this year.

**Cost-effectiveness of controls:** Trying to increase the number of checks in order to reduce the errors made within the indirect centralised management mode would cost more than the financial result of the corrections made, according to the 2011 results of the first ever study on cost of controls incurred by National Agencies, National Authorities and the Commission. It also revealed that some National Agencies perform a higher number of primary checks than required by the Commission. Reducing the number of their checks could lead to annual savings of up to € 2.6 million euro for LLP and € 0.5 million for YiA. As a result, National Agencies have reduced as from 2011 the number of their financial audits, which remained selected on a multiannual basis guaranteeing a full coverage within the programme generation. It is also worth noting that the efforts to enhance the single audit approach have allowed a risk-based reduction of the number of supervisory visits since 2011. Lastly, the cost-effectiveness of controls has been taken into account in the simplification of the future programme Erasmus for All.

#### Centralised direct management

I) **Authorising Officers by sub-delegation** have reported no element that would put into doubt the assurance on this management mode.

II) An important building block in the assurance are the **ex ante controls** that are conducted by the DG. In comparison to previous years, a higher quality of accounting data was noted. Errors in 2012 related mostly to incorrect accounting treatment and were all corrected before final approval of the transactions in ABAC. As a result, the regularity and legality of transactions introduced in ABAC are considered to be reliable.

III) In addition, the operational directorates responsible for the closure of projects may ask for **ex ante risk-targeted audits** by an external audit firm for any case which raises questions prior to closure. For this AAR, no such targeted ex ante audit was requested.

IV) On an ex post level, in order to get a complementary external view on the respect of legality, regularity and compliance with the principles of sound financial management of transactions, a series of **ex post checks on a random selection<sup>78</sup> of final payments** were carried out: a) on auditable grants;<sup>79</sup> b) increasingly on other types of expenditure.<sup>80</sup> Their aggregated results contribute to an overall error rate for centralised direct management of 2.2% of the value of payments made in 2012 and of **1.5% over 2011-2012**, as detailed below.

#### IV-a) Ex post audits on cost-based grants

Ex post audits of actions implemented by direct centralised management through cost-based grants were carried out by an external audit firm based on a random selection method (MUS) across all such transactions of the DG, which allows extrapolating the results of the controls to the full sub-population.<sup>81</sup> The partial error rate on auditable grants is calculated by dividing the total amount to be recovered following the results of untargeted ex post audits carried out on closed files, by the total amount paid for files which were audited. For 2012 this error rate is 5.5% (compared to 2.3% in 2011 and 3.4% in 2010) and 3.6% over 2011-2012.

The fact that this element of the error rate is relatively high this year (5.5%) is mainly due to the high errors that were found in two of the three audited projects of the pilot project on EITs (not to be confused with the current EIT). This pilot project was a one-off project that has not been repeated since. If these two EITs projects would be excluded, the residual error rate would fall to only 0.5%.

The qualitative analysis of the observed financial errors detected through audits finalised in 2012 reveals similar issues as in the AARs since 2009. The main errors concerned again over-claims compared to reality (29% of errors), the inclusion of costs that were ineligible by nature (23%) and the inability of beneficiaries to produce appropriate justifying documents (20%). These types of errors have been addressed through action plans since 2010. Although there is a time lag between their implementation and their visible effects, improvements are apparent in audits of more recent actions. Other types of errors were less widespread and had a lower impact on this error rate.

#### IV-b) Ex post checks on other expenditures

A wider coverage of the various categories of expenditure under centralised direct management by ex post checks since 2011 gives a more representative result than in the past, covering 62% of the expenses for this management mode in 2012. For the second year, in addition to action grant audits, additional ex post controls have indeed been carried out for additional categories of transactions such as expenditure under procurement contracts,<sup>82</sup> operating grants to National Agencies,<sup>83</sup> and, as from this AAR,

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<sup>78</sup>The different samples are determined on the basis of preliminary work: identification of the population, stratification, sample size, selection method, control check-lists, weighting grid for different types of error, etc.

<sup>79</sup>Mainly cost-based project grants, although including also a few financially auditable operating grants.

<sup>80</sup>Ex post controls on operating grant to National Agencies (LLP and YIA), public procurements, administrative expenditures, Commission trainees, Commission Library.

<sup>81</sup>In 2012, 10 untargeted ex post audits were finalised and could be taken into account, together with 2 audits related to the Pilot Project on EITs completed by 7 additional audits of EITs' partners. They represent €7.7 million of total funding, which corresponds to 17% of the budget spent on cost-based grants implemented through centralised direct management.

<sup>82</sup>Out of €31.7 million payments for the purchase of goods or services made in 2012, two samples were selected at random: a first of 8 based on the MUS methodology, thus favouring the largest payments; a second of 8 focusing on systematic errors, accounting together for 9.7% of total payments.

<sup>83</sup>6 NA agreements were selected at random out of 75, covering 10.1% of the budget (11% of LLP and 6% of YIA). These ex post controls can rely on a relatively small sample, because the population is very

corporate services<sup>84</sup> (Traineeship Office, Central Library). No financial errors were detected. It results in an average error rate of 0.14% over 2011-2012. Less relevant categories of expenditures were not reviewed ex post and so were not included in the calculation of the error rate.<sup>85</sup> The resulting aggregated error rate, including all categories of checked expenditure, amounts to 2.2% in 2012, compared with 1.2% in 2011.

The aggregated results in terms of detected errors constitute **a representative overall error rate for DG EAC's direct centralised management, accounting over 2011-2012 for 1.5%** of the value of the payments made. For all the reasons above, it is considered that **no reservation shall be made on centralised direct management**.

### Synthesis of the results of accounting controls

In the context of the accounts quality exercise, DG EAC implemented its 2012 programme of regular controls in order to verify the correctness and completeness of the accounting registrations in the DG, based on a 2012 risk assessment.

Two types of controls were carried out:

- *Controls on the accounts:* This type of controls is based on the checks proposed by DG Budget in the context of the accounting revision programme. The results of these controls are reported on a monthly basis to SUDs and management. These controls have not revealed any material or systematic errors and where corrections were needed these have been carried out by the responsible financial cell. In comparison to prior years a higher quality of (general ledger) accounting data can be noted.
- *Accounting controls on files:* The accounting control of the files is an ex post control procedure, which aims to verify the correctness and completeness of the registrations in the central accounting system with respect to the actual transactions and its related documents. The controls of 141 files showed an improving quality of the financial files and only one error was found that had an accounting impact. The controls were carried out monthly on a sample basis and confirmed again this year a trend of continuous improvement of the quality of local financial management.

The IAC consultancy review on ABAC access (see 3.1.2) concluded that accesses generally conform to DG EAC needs following the 2012 financial centralisation. Anomalies were reported for correction and IAC recommendations are being implemented.

### Reporting of those recovery orders where the DG has not followed the advice of the Legal Service.

During 2012, DG EAC has followed the advice of Legal Service in all cases.

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homogeneous and all NAs have to follow a same set of procedures.

<sup>84</sup> Out of respectively €7.7 and €2.7 million payments for Traineeships and the Central Library, two random selections of 10 payment files were made, accounting together for 4% of total payments. Also here, the sample can remain relatively small because of the homogeneity of the population.

<sup>85</sup> When it comes to operating grants to EACEA and the traditional agencies, a qualitative analysis - corroborated by consistently positive results from the Court of Auditors controls - demonstrates the very low level of risk. Administrative expenses other than public procurement are also excluded from the calculation because their management is less relevant to the concept of assurance at the level of a DG (overall management at the level of the institution with a positive DAS since a long time). Nevertheless a previous IAC audit had not revealed serious deficiencies relevant for the assurance under centralised direct management. If the error rate estimated for these remaining low-risk sub-populations were to be considered as zero, the overall error rate for the management mode would be 1.4%.

### Exceptions procedures

Concerning financial exceptions, the decreasing trend observed since 2008 was not significantly altered: 41 cases of exceptions were registered during 2012, compared to 35 in 2011, 46 cases in 2010, 64 in 2009 and 104 in 2008. It is possible that the centralisation of the financial circuits as from 2012 contributed to a higher awareness of the need to report exceptions. As in the past, exceptions related to grants concerned in particular costs accepted outside of the eligibility period or criteria. Those related to procurement included light amendment of contracts. Other exceptions related to the roles of the financial actors (e.g. access of interim staff to operational systems). The analysis of the content did not reveal any structural problems within the DG so that no modification of current financial procedures of DG EAC was necessary as an outcome of this procedure.

Concerning operational procedures in the field of Commission Inter-Service Consultations and the Right of scrutiny of the European Parliament, the possibility for exceptions is explicitly provided for in the applicable procedures. No exception was sought on the right of scrutiny of the Parliament, while shortened interservice consultation period was sought on one occasion only to examine the legality of an act of EACEA in the context of an administrative appeal.

### Fraud prevention and detection

Suspected irregularities or fraud and ongoing investigations of the European Antifraud Office (OLAF) had no impact on the assurance over the reporting period.

OLAF has decided to open formal investigations which are currently on-going, in both of the two following cases which DG EAC had notified in 2011. In the first one, allegations related to possible irregularities on the part of members of the management of an LLP National Agency. There are at this stage no reasons for precautionary measures beyond normal monitoring and supervision activities. In the second case, a possible situation of large scale double funding was alleged on the part of a small group of legal and natural persons who had participated over several years in a number of decentralised Leonardo da Vinci projects. DG EAC is currently analysing OLAF's investigation report in view of any possible recovery and any appropriate systemic measure.

In 2012, DG EAC notified to OLAF new allegations of fraud involving two distinct National Agencies. None led OLAF to open an investigation. The first situation was about a possible conflict of interest on the part of a small group of legal and natural persons who have participated over several years in a number of decentralised Youth in Action projects. DG EAC will monitor that the competent National Agency addresses this issue with contractual means (audit, rejection of ineligible expenditure, recovery where appropriate). The other situation was about possible irregularities committed within an LLP National Agency under the Agency's administrative budget. The case has been referred to the competent national public prosecutor and national authorities have commissioned an audit in order to establish any possible financial prejudice and to draw any appropriate systemic conclusions. As a new management is in place, there was no need for immediate precautionary measures.

DG EAC has also reviewed all reporting from National Agencies on possible fraud or irregularities. None of them has required so far particular precautionary measures.

### 3.1.2 Building block 2: Results from audits during the reporting year

#### IAC opinion

Based on the results of audits completed or being finalised<sup>86</sup> and the objectives and scope of the engagements carried out during 2012, the Internal Audit Capability of DG EAC (IAC) concluded that the internal control system in place provided reasonable assurance regarding the achievements of the business objectives set up for the processes audited, except for the 8 very important recommendations (10 in 2011) which were accepted by management and addressed by an action plan. No major issues requiring the issuing of critical recommendations were identified during audits. Two satisfactory and 3 qualified audit opinions were made. Most actions are expected to be completed by end 2013.

#### IAS Audit reports

Two IAS audit dealt with DG EAC in 2012.

The IAS carried out in 2012 an audit on LLP to assess whether the control strategy in place in the EACEA enables it to obtain reasonable assurance on the legality and regularity of the underlying transactions. Regarding DG EAC's supervisory role, it concluded that the internal controls in place provide reasonable assurance. An action plan has been elaborated to address the four recommendations with scope for improvement (2 rated "very important" and 2 rated "important").<sup>87</sup>

DG EAC has also been subject to the IAS Audit on the Annual Activity Report (AAR) process in the Commission (on-going). Concerning DG EAC, the audit did not highlight major issues and made no formal recommendation.

#### Follow-up of the European Court of Auditors findings and recommendations

DG EAC has continued to perform better than the majority of DGs in its policy group. In 2011 DG EAC's share of the "Research and other Internal Policies" (Chapter 8 of the Court's annual report) counted for around 20% in terms of value of payments. In 2012, the European Court of Auditors in its DAS 2011 made no observation relevant as regards DG EAC's management performance. As detailed below, no errors could be found in the (limited) sample of LLP transactions that were checked and the Court had no observation on DG EAC's Annual Activity Report.

The Court applied a 3 pillar approach based on checks of advances and final payments, system audits and an assessment of the AARs of the DGs. The following conclusions as concerns DG EAC can be drawn from the Court's report on chapter 8:

- The Court's aggregated error rate (3%) for the whole chapter is not representative for DG EAC as such, as main errors stems from projects not managed in the remit of DG EAC. The Court details the results of its testing for the LLP (9 advances and 1 final payment). The audited LLP payments were found to be 100% free of error.
- The Court made no checks of DG EAC's supervisory and control systems in 2011. It can, however, be recalled that the checks made by the Court the previous year of DG EAC's monitoring and controls systems of National Agencies and National Authorities concluded that these were effective.
- DG EAC's AAR gives a fair assessment of the regularity of its financial management. The information provided in the AAR corroborates the Court's observations and conclusions.

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<sup>86</sup>The IAC completed in 2012 almost five audits and two consultancy reviews (ABAC access rights; recurrent grant beneficiaries in direct centralised spending). This represents an actual increase in activity compared to 2011. At the end of 2012, three new audits had been completed (Risk management, IT strategy, Culture procedures) and two other ones were finalised early 2013 (Sport procedures, Cut-off procedures).

<sup>87</sup> Concerning the update of DG EAC's supervision strategy the reporting from EACEA to DG EAC, and the timetable for adoption of the EACEA's annual work programme.

### 3.1.3 Building block 3: Action plans for audits from previous years

All audit recommendations from IAC, IAS and the Court of Auditors accepted by management are implemented through actions plans. Thanks to specific assessment criteria to assess the level of implementation of these action plans, the definition of clear responsibilities and short but realistic deadlines, DG EAC continued in 2012 to give a swift follow-up to open audit recommendations.

#### IAC opinion

As regards the follow-up of past audits, the IAC found a high rate of implementation of IAC recommendations.<sup>88</sup> Through a concerted approach to the follow up of recommendations within the DG, the number of outstanding IAC recommendations could be reduced to an (unusually) low level (14 in total as compared to 21 in 2011). No "critical" and only 2 "very important" recommendations with implementation overdue for more than 12 months remained open in Issue Track. Both concerned document management.

#### IAS Audit reports

All previous IAS recommendations have been implemented by the DG and sent "ready for review" during 2012, as detailed below.

Concerning the IAS's audit on Management of Local IT in DG EAC, finalised in 2010, it can be noted that the IAS was satisfied with the implementation of all 14 recommendations (including 32 individual actions) within deadlines. This audit was consequently on the basis of the IAS follow-up review closed by the IAS in March 2012.

When it comes to the single previous pending audit (a 2010 audit on DG EAC supervision and monitoring of National Agencies – LLP), the last two pending recommendations were implemented and sent "ready for review" in 2012.<sup>89</sup>

#### Follow-up of the European Court of Auditors findings and recommendations

Concerning the special report of the Court on Leonardo da Vinci mobility published in 2010, all recommendations but for two have been implemented.<sup>90</sup> These open recommendations concern issues to be addressed under the new programme generation. Their implementation thus becomes due only in 2014.

### 3.1.4 Building block 4: Assurance received from other Authorising Officers in cases of crossed sub-delegation

The Authorising Officers by Delegation of other DGs have all submitted their reports on the 2012 activities as foreseen in cases of crossed sub-delegation.<sup>91</sup> As indicated in their reports, the appropriations were all used in conformity with the procedures of DG EAC and no particular problems or reservations were made.

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<sup>88</sup>The IAC completed in 2012 four follow up reviews (Financial circuits (2010); AAR reservation (2011); *People procedures*, 2010; Supervision of EACEA, 2008-2009) and was about to finalise a fifth one (*MEDIA procedures*, 2011).

<sup>89</sup>On the systematic communication of quarterly key data from LLPLink to National Agencies and further exchange on information on beneficiaries between the various contracting authorities.

<sup>90</sup>Possible assessment handbook for evaluators and partner search tool.

<sup>91</sup>In 2012, DG EAC has continued to give:

- a cross sub-delegation to DGT on lines 15.010422 and 15.0222, both in relation to the actions Lifelong Learning – "Juvenes Translatores and European Master's in Translation";
- a cross sub-delegation to DG ENTR on lines 15.010422, 15.010444, 15.010414, 15.010455, 15.010460 and, 15.010503 in order to implement a single Cost Benefit Analysis prior to any delegation of new programmes to the six existing executive agencies for the period 2014-2020.

### 3.1.5 Completeness and reliability of the information reported and conclusion on the overall assurance

The information from the various building blocks described above covers all budget delegated to the AOD of DG EAC. Through the extension of the range of ex post controls on centralised direct management and the use of primary control results when it comes to centralised indirect management through National Agencies, the coverage of the reported error rates has increased significantly since 2011. The reliability of the information is considered sufficient, in particular as the quality of the information and assurance received from NAUs has improved considerably since 2009. Transparency has furthermore benefited from the presentation of multiannual (and where available residual) error rates as from this AAR.

For the sixth year in a row, DG EAC will make no reservation on the management through **National Agencies**. Their supervision is at cruising speed in the penultimate year of the current programme generation. All supervision tools operate in a regular and satisfactory manner (analysis of Declarations of Assurance, risk-based supervisory visits, financial audits and calculation of error rates, information seminars). Hence, major problems regarding management of the programme by NAs are unlikely to pass unnoticed.

The recurring reservations of the **Executive Agencies** EACEA and REA respectively on the LLP and on FP7 as a whole, insofar as they derive from the challenges of managing actual cost contracts, are balanced against the overall positive indicators of the other programmes managed by EACEA on one hand, and the low error rate on audits specifically on the FP7 People programme. This is reinforced by the measures planned to use simplified forms of grants in the framework of the future programmes to reduce the risk of irregularity. Therefore while remaining vigilant for any possible deterioration in the key indicators regarding internal control, DG EAC does not find it appropriate to make a reservation in the context of its supervision responsibilities in relation to these agencies.

The difference in error rates experienced by EACEA compared with the NAs can be explained by the nature of the actions. While the later mainly deal with European-wide cooperation projects for which the coordinator is responsible for financial management, the NAs mainly deal with individual mobility, smaller partnerships and some cooperation projects; these are simpler in nature and make greater use of lumps sums.

Lastly, when it comes to DG EAC's **direct centralised management**, the overall error rate 2011-2012 is below 2% and no other consideration warrants any reservation either.

From all the assurance elements above, including the multiannual approach for determining the error rates under centralised direct management and centralised indirect management through National Agencies, DG EAC concludes that the error rate is below 2% in all management modes covered by its Annual Activity Report and, considering all other available information, that **no reservation shall be made.**

## 3.2 Reservations

n/a

## 3.3 Overall conclusions on the combined impact of the reservations on the declaration as a whole

n/a

## PART 4. DECLARATION OF ASSURANCE

*I, the undersigned,*

*Director-General of the Directorate General of Education and Culture,*

*In my capacity as authorising officer by delegation*

*Declare that the information contained in this report gives a true and fair view.<sup>92</sup>*

*State that I have reasonable assurance that the resources assigned to the activities described in this 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.*

*This reasonable assurance is based on my own judgement and on the information at my disposal, such as the results of the self-assessment, ex post controls, the work of the internal audit capability, the observations of the Internal Audit Service and the lessons learnt from the reports of the Court of Auditors for years prior to the year of this declaration.*

*Confirm that I am not aware of anything not reported here which could harm the interests of the institution.*

*Brussels, 27 March 2013*

[signed]

*Jan Truszczyński*

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<sup>92</sup> True and fair in this context means a reliable, complete and correct view on the state of affairs in the service.