



Annual Activity Report 2023

REFORM – Department for Structural Reform
Support

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DEPARTMENT REFORM IN BRIEF

The European Commission, under the presidency of Ursula von der Leyen, has committed itself to a positive agenda to support Member States boost the growth potential of their economies to the benefit of all societies, and to respond to the hardships and global energy market crisis caused by the ongoing Russian aggressive war against Ukraine. In the aftermath of the COVID-19 pandemic crisis and its socio-economic impact, effective implementation of structural reforms is vital to encourage investment, unlocking Member States' growth potential, and ultimately raising living standards.

The department for Structural Reform Support (**department REFORM**), over the fifth year of its full operation, continues to coordinate and provide technical support on demand to Member States for their reforms, including measures for the recovery and resilience of economies, linked also to green and digital transitions under the **Recovery and Resilience Facility (RRF)**¹ and the **RePowerEU**². The **Technical Support Instrument (TSI)**³ is the EU programme through which department REFORM provides tailor-made technical expertise to Member States and constitutes an important pillar of the EU's initiative to help Member States address economic and social challenges.

Since 2017⁴ department REFORM has been engaged in over 1800 support projects in all 27 EU Member States. The expertise necessary for each reform project may be provided either directly by the Commission through in-house expertise or by experts from EU Member States' national administrations, international organisations, private entities, or individual experts from the private sector.

The department is also responsible for strengthening the Commission's knowledge and coordination activities with Member States, as well as policy developments in the field of **governance and public administration**.

Finally, the department coordinates the Commission's efforts to support the process for the reunification of Cyprus led by the United Nations. In this context, it is still responsible for the implementation of the **Aid Programme**⁵ for the **Turkish Cypriot community (TCC)** and for monitoring the application of the Green Line Regulation.

In 2023 department REFORM included some 200 staff. Its headquarters are in Brussels; it has two decentralised offices in Nicosia (Cyprus) and Athens (Greece) and representative staff in Bucharest and Zagreb.

¹ Regulation (EU) 2021/241 of the European Parliament and of the Council of 10 February 2021

² COM(2022) 230 final.

³ Regulation (EU) 2021/240 of the European Parliament and of the Council of 10 February 2021.

⁴ In 2020 department REFORM took over the work previously carried out by the Structural Reform Support Service (SRSS) with the Structural Reform Support Programme (SRSP 2017-2020).

⁵ Council Regulation (EC) No 389/2006 of 27 February 2006 establishing an instrument of financial support for encouraging the economic development of the Turkish Cypriot community.

EXECUTIVE SUMMARY

This annual activity report is a management report of the Director-General of department REFORM to the College of Commissioners. Annual activity reports are the main instrument of management accountability within the Commission and constitute the basis on which the College takes political responsibility for the decisions it takes as well as for the coordinating, executive and management functions it exercises, as laid down in the Treaties.

A. Key results and progress towards achieving the Commission's general objectives and department's specific objectives

In 2023 department REFORM continued to support Member States' efforts to design and implement resilience-enhancing reforms; in the aftermath of the COVID-19 pandemic crisis, it contributed to the EU's ongoing economic recovery, by improving the quality of public services, supporting investment and helping to get the Member States back on the path of sustainable and inclusive growth. It also responds to addressing the emerging needs in the Member States to face the challenges stemming from the Russian invasion of Ukraine, notably the recent global energy market crisis by supporting efforts to end EU dependence on Russian fossil fuels and promoting energy efficient reforms and facilitate the application of sanctions imposed on Russia on account of its invasion of Ukraine.

To help Member States address their reform challenges, in 2023 department REFORM continued to steer, coordinate and implement technical support projects via the Technical Support Instrument for the design and implementation of institutional and administrative reforms.

The TSI supports Member States for the implementation of their Recovery and Resilience Plans (RRPs), RePowerEU and Social Climate Plans. Beyond the RRP, department REFORM continued supporting Member States in the implementation of key EU priorities such as the green and digital transitions. Building on successful projects implemented through the TSI, some Member States have asked for further support through the transfer of national funds. Department REFORM's activities contribute primarily to the achievement of the Commission's general objective, 'An economy that works for people'.

95% of projects selected for funding under the 2022 and 2023 programmes were on the ground and running at the end of 2023. 99% of the commitments forecast and 99% of the payment forecast was implemented. The results of the ex-post controls carried out in 2023, despite revealing some errors in the area of grant direct management, evidenced that controls implemented by the department are effective, leading to amount at risk at closure (KPI 4) below the materiality level of 2% and no reservation (cf. part 2).

Department REFORM continued to build on its unique position and expertise and ensured that, through TSI, it continues delivering high-quality support to address Member States' demands to settle long-standing bottlenecks and undertake key reforms for their economic, social and territorial resilience. The results of the annual round of technical support requests (TSI 2024) is promising with - 170 projects to satisfy 307 selected requests from Member States (cf. specific objective 1.3).

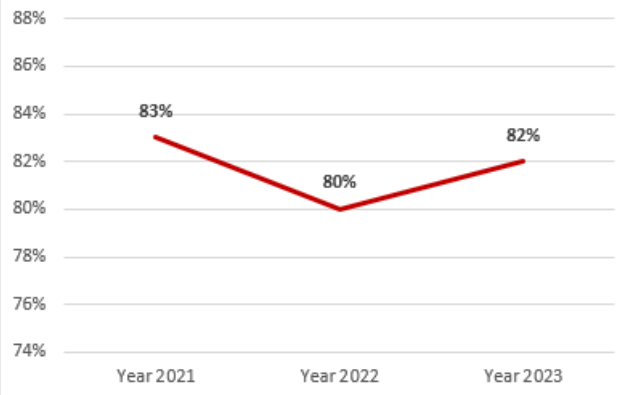
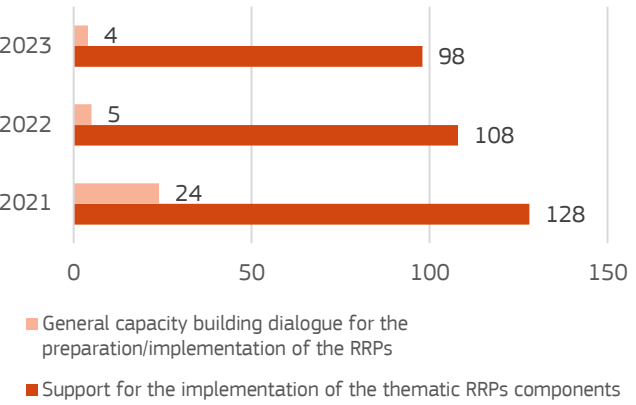
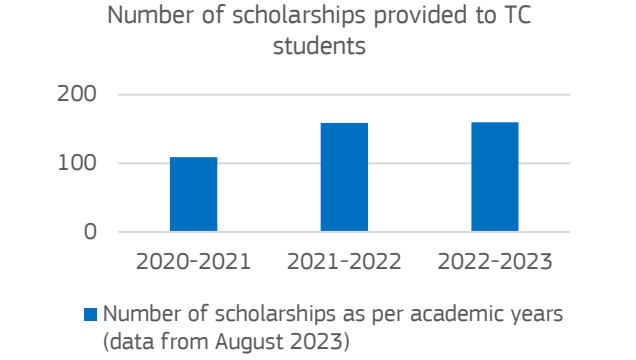

The high satisfaction feedback provided by Member States' coordinating authorities and the increasing quality of requests being received is a recognition of department REFORM's work, which motivates to do more and even better.

In 2023 the department focused on reinforcing its collaboration with Member States and among the Commission services to advance further the work on public administration and governance (PAG). The expert group on public administration and governance gathered representatives from public administrations in Member States to discuss common challenges and ways to address them. The Commission adopted the **Communication on Enhancing the European Administrative Space (ComPAct)**, with a set of 25 actions to support the modernisation and efficiency of public administrations in the EU. Among these, the **Public Administration Cooperation Exchange (PACE)** initiative was launched to enable exchanges of civil servants from national administrations in selected areas. Moreover, the Commission presented for the first time its analysis on public administration in the European Semester country reports, based on indicators from the assessment framework on public administration and governance (cf. specific objective 1.4).

Department REFORM's support to the **Cyprus settlement** continued to yield tangible results despite the challenging local political context. The volume of Green Line trade registered a steady growth reaching EUR 16 million. Substantial efforts were invested in further progress towards reaching EU food and health safety standards for PDO-compliant Halloumi/Hellim cheese, paving the way for the product to be traded across the Green Line. The commitment and payment targets set for 2023 were fully met. New support initiatives were developed, which will further contribute to building trust between the two communities and provide the building blocks for a successful implementation of the Aid Programme, in view of supporting the reunification of Cyprus (cf. specific objective 1.5).

Last, but not least, in 2023 the department developed a robust set of stakeholder involvement initiatives, such as the organisation of a high-level conference for the launch of the TSI 2024 call and the setting up of the network of the national coordination authorities.

B. Key performance indicators

KPI indicators	Data –Year 2023 and evolution												
<p>KPI 1. (Specific objective 1.1) % of technical support projects that produced the expected outcomes</p> <p>Target: Maintained or increased Result: 82%</p> <p>Source of data: REFORM questionnaires to Member States after the projects' completion</p>	 <table border="1"> <caption>Data for KPI 1: % of technical support projects that produced the expected outcomes</caption> <thead> <tr> <th>Year</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Year 2021</td> <td>83%</td> </tr> <tr> <td>Year 2022</td> <td>80%</td> </tr> <tr> <td>Year 2023</td> <td>82%</td> </tr> </tbody> </table>	Year	Percentage	Year 2021	83%	Year 2022	80%	Year 2023	82%				
Year	Percentage												
Year 2021	83%												
Year 2022	80%												
Year 2023	82%												
<p>KPI 2. (Specific objective 1.2) Number of technical support interventions for the preparation and/ or the implementation of the Member States' recovery and resilience plans (RRPs)</p> <p>Target: ≥6; Result: 4</p> <p>Source of data: REFORM</p>	 <table border="1"> <caption>Data for KPI 2: Number of technical support interventions</caption> <thead> <tr> <th>Year</th> <th>General capacity building dialogue for the preparation/implementation of the RRP</th> <th>Support for the implementation of the thematic RRP components</th> </tr> </thead> <tbody> <tr> <td>2023</td> <td>4</td> <td>98</td> </tr> <tr> <td>2022</td> <td>5</td> <td>108</td> </tr> <tr> <td>2021</td> <td>24</td> <td>128</td> </tr> </tbody> </table>	Year	General capacity building dialogue for the preparation/implementation of the RRP	Support for the implementation of the thematic RRP components	2023	4	98	2022	5	108	2021	24	128
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2022	5	108											
2021	24	128											
<p>KPI 3. (Specific objective 1.5) Number of scholarship grants awarded in the year for studying in an EU Member State (referring to the Aid Programme)</p> <p>Target: Minimum 120; Result: 160</p> <p>Source of data: REFORM monitoring tool</p>	 <table border="1"> <caption>Data for KPI 3: Number of scholarships provided to TC students</caption> <thead> <tr> <th>Academic Year</th> <th>Number of scholarships</th> </tr> </thead> <tbody> <tr> <td>2020-2021</td> <td>100</td> </tr> <tr> <td>2021-2022</td> <td>160</td> </tr> <tr> <td>2022-2023</td> <td>160</td> </tr> </tbody> </table>	Academic Year	Number of scholarships	2020-2021	100	2021-2022	160	2022-2023	160				
Academic Year	Number of scholarships												
2020-2021	100												
2021-2022	160												
2022-2023	160												
<p>KPI 4. Residual error rate (RER)</p> <p>Target: <2% of relevant expenditure; Result: 0.66% (1.36% in 2022)</p> <p>Source of data: REFORM monitoring results.</p>	 <table border="1"> <caption>Data for KPI 4: Residual error rate (RER) at closure</caption> <thead> <tr> <th>Year</th> <th>RER (%)</th> </tr> </thead> <tbody> <tr> <td>2021</td> <td>0.63%</td> </tr> <tr> <td>2022</td> <td>1.36%</td> </tr> <tr> <td>2023</td> <td>0.66%</td> </tr> </tbody> </table>	Year	RER (%)	2021	0.63%	2022	1.36%	2023	0.66%				
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2023	0.66%												

C. Key conclusions on internal control and financial management

In line with the Commission's Internal Control Framework department REFORM has assessed its internal control systems during the reporting year and has concluded that it is effective, the components and principles are present and functioning well overall, but some improvements are needed.

In addition, department REFORM has systematically examined the available control results and indicators, as well as the observations and recommendations issued by the internal auditor and the European Court of Auditors. These elements have been assessed to determine their impact on management's assurance about the achievement of the control objectives. Please refer to Section 2 for further details.

In conclusion, management has reasonable assurance that, overall, suitable controls are in place and working as intended; risks are being appropriately monitored and mitigated. Improvements are necessary concerning the robustness of controls on legality and regularity in the area of TSI non-pillar assessed grants⁶ and implementation of recommendations issued by the IAS in the context of their audit on measuring and reporting on the performance of technical support projects. The following actions will be taken in this respect: the implementation of the action plan agreed with the IAS will be regularly monitored by management to ensure timely implementation of recommendations; for grants further awareness raising actions on expenditure eligibility rules targeted at beneficiaries and staff in the department will be put in place.

The Director-General, in his capacity as Authorising Officer by Delegation, has signed the Declaration of Assurance.

D. Provision of information to the Commissioner(s)

In the context of the regular meetings during the year between the department REFORM and the Commissioner(s) on management matters, the main elements of this report and assurance declaration have been brought to the attention of Commissioner Elisa Ferreira, who is responsible for Cohesion and Reforms.

⁶ The segment of expenditure constitutes less than 5% of the budget in 2023, thus (given that 'de minimis rule' can be applied) has no impact on assurance.

1. KEY RESULTS AND PROGRESS TOWARDS ACHIEVING THE COMMISSION'S GENERAL OBJECTIVES AND SPECIFIC OBJECTIVES OF THE DEPARTMENT

Specific Objective 1.1: Strengthening Member States' capacity to implement growth-enhancing reforms through the provision of technical support

Department REFORM contributes to the achievement of the **Commission's General Objective 3, 'An economy that works for people'** by providing technical support to Member States to design and implement reforms. These reforms enable Member States to build resilient economic and social structures. In addition, these reforms, as well as the prompt and appropriate transposition and implementation of EU legislation and the efficient and effective use of EU funds are all essential conditions for encouraging investment, creating jobs, unlocking Member States' growth potential, raising living standards, promoting regional and territorial cohesion and supporting economic and social convergence in the EU.

The support need for Member States' reforms and a coordinated EU approach has become even more crucial, particularly in the aftermath of the COVID-19 pandemic crisis and in the context of the **EU recovery plan**. In 2023, department REFORM continued to support Member States' efforts to implement their national recovery and resilience plans (NRRPs) both as regards enhancing their overall capacity to implement their NRRPs and as regards assisting in the implementation of specific reforms and investments included therein. Moreover, in 2023, department REFORM supported Member States to communicate the impact of their NRRPs.

A stronger EU response was also needed to **reduce the EU's dependence on Russian fossil fuels**, to protect and integrate **Ukrainian refugees** after Russia's military aggression against Ukraine and facilitate the implementation of **restrictive measures** against Russia.

Furthermore, the Commission made it clear in the 2022 strategic foresight report⁷ that *"to strengthen the EU's resilience and facilitate the twin transitions, targeted reforms and investments need to tackle vulnerabilities at national and EU levels. Relevant macro-economic and sectoral policies need to be closely coordinated"*.

To help Member States address these reform challenges, DG REFORM manages the Technical Support Instrument, which is intended to:

- respond to several EU emerging priorities that are in the **2023 SOTEU** (e.g., European Green Deal, skills for the digital transition, migration management and security, Ukraine etc.);
- prepare and implement the **national recovery and resilience plans** (NRRPs) financed through the RRF.

In addition to this, and in order to help EU Member States prepare for and effectively address structural reform challenges, department REFORM, in cooperation with other relevant Commission departments, expanded the concept of the **"flagship technical support**

⁷ COM(2022) 289 final.

projects". Flagship projects are proposed by DG REFORM and designed to address top reform priorities for the following year at EU, national, regional, and local levels. They are defined on a yearly basis by identifying the most pressing reforms needs. They are suggested to Member States as part of the TSI cycle and their uptake is voluntary.

In 2023, through the "flagship technical support projects", the TSI contributed to targeting Member States' efforts towards implementation of growth-enhancing reforms in the areas of revenue administration, public administration and e-Governance, health, skills, the green transition, artificial intelligence, digital financial literacy, industrial ecosystems and social cohesion.

At the same time, the DG gives the Member States the possibility of making the **multi-country technical support requests**, in order to rationalise the number of requests and to promote a more comprehensive and priority context for offering EU support and to enhance the mutual learning. 33 multi-country projects were selected under the TSI 2023 cycle.

In 2023 department REFORM continued providing technical support projects through **direct and indirect management**, the latter in collaboration with leading international organisations, such as e.g., the Council of Europe, the OECD, ILO or UNICEF. It also expanded its co-operation circle with the new partners e.g UNESCO.

At the same time, Member States in 2023 continued exchanging good practices, processes and methodologies through the **TAIEX instrument**⁸. In 2023, 96 TAIEX activities (under SRSP and TSI projects) were organised, including 58 study visits, 31 workshops, 6 expert missions, and other activities. All the events were implemented in an in-person or hybrid format, no events were implemented fully online. 2023 has confirmed a trend towards a constant increase of complex events (many events involved several EU Member States, were implemented in hybrid format, took place in multiple cities, were part of flagship initiatives). 89 % of the participants to the feedback survey in 2023 found that the events reached their objective successfully. At programme level and in line with the Commission's provisions on better regulation, in 2023 DG REFORM initiated an **external study for the mid-term evaluation** of the TSI to be delivered by February 2025.

DG REFORM has in place a system to evaluate the performance of the projects implemented under the TSI both at project and at programme level. This evaluation system is built around the feedback mechanism, which captures the results of the projects at two levels. First, at the end of each project, three questionnaires are sent to collect the feedback of policy officers, beneficiary authorities, and technical support providers (satisfaction questionnaires). Then, 12 months later, another questionnaire is sent to the beneficiary authorities to assess whether the outcome of the project was achieved (outcome questionnaire).

The complementarity of the questionnaires allows to combine the views of different stakeholders and therefore achieve a comprehensive assessment of the projects. It also

⁸ TAIEX is available for implementing SRSP projects since 2017 and TSI projects since 2021. TAIEX TSI is an instrument managed in cooperation with department European Neighbourhood Policy and Enlargement Negotiations (NEAR) to facilitate peer to peer exchanges between public sector experts of Member States' administrations, within the overall SRSP and TSI assistance's frameworks.

clearly distinguishes the sphere under the control of DG REFORM intervention (within the life span of the project, corresponding to the achievement of the project outputs and the production of the project deliverables) from the sphere under the control of the beneficiary authorities (the achievement of the project outcomes, after the end of the project). It helps the department to derive lessons learned and identify areas for improvement. However, this approach needs to be complemented in order to reliably report on result (outcome) and impact indicators. This issue was outlined by the IAS in their audit on TSI performance management in 2022⁹. DG REFORM accepted the recommendations issued by the auditors and agreed on the next steps to further improve the measuring and reporting of TSI projects' performance. Since the implementation of recommendations is still ongoing, these areas for improvement were duly reflected in the assessment of effectiveness of internal control, the IAS limited conclusion on the state of internal control¹⁰ and the declaration of the Director in charge of risk management and internal control (Annex 1).

In 2023 department REFORM developed its first **external communication strategy** in line with the department's mandate and the successful initiatives launched in previous years. The strategy will be formally adopted, presented and implemented in 2024 and will contribute to strengthening its external communication and increasing the visibility of its work. Department REFORM strengthened its presence on social media by reaching a record-high number of followers and views and continued the **'Project in the Spotlight' series**, including by producing short documentary and testimonial videos, to illustrate the impact of selected projects on the life of EU citizens and business.

Established in 2022, the **network of Member States TSI coordinating authorities** ensures dynamic communication, including through a dedicated IT platform, and collaboration with the coordinating authorities and among the authorities themselves. In 2023 DG REFORM organised workshops, for instance, to take stock of the annual requests and share lessons learned in view of the projects' implementation, and to ease the preparation of any future multi-country requests capturing the EU priorities and common reform needs.

⁹ Final audit report issued 16 May 2023

¹⁰ Issued 16 May 2023

Attracting and integrating migrants in the Spanish labour market

2023 was declared the EU Year of Skills in a context of persistent labour shortages and skills gaps across the EU. In 2023 department REFORM provided assistance to Spain in developing a strategy for enhancing the labour market inclusion and participation of skilled migrants. The project was supported by a centralised online platform connecting administrations, employers and migrants. The strategy targets talent attraction from third countries as well as labour market participation of migrants already in Spain, while the digital platform facilitates the matching between skilled migrants and employers seeking workers with skills that are currently in short supply in Spain.

In the field of migration, department REFORM continued providing expertise in the area of migration policies, strengthening institutional framework and building operational capacity. In 2023, the department provided support to fourteen Member States in improving migrants' access to essential services and employment. In France, Italy and Poland it contributed to improving the processes for the recognition of skills and qualifications acquired outside the EU so that migrants and

refugees could access better qualified jobs. It also provided technical support to other Member States to attract skilled international workers by reinforcing exchanges of good practices in the context of rising global competition for talent.

In the field of revenue administration, department REFORM continued to support Member States to boost the efficiency and effectiveness of their tax and customs administrations. The support addressed a broad range of activities related to the administrations' core and supportive business functions, notably those linked to increasing voluntary compliance and managing non-compliance. Support measures particularly addressed objectives such as: simplification, modernisation, digitalisation, and reduced tax compliance costs.

The department also supported national tax authorities in improving and **rationalising tax policy** through new or enhanced tax frameworks and policy instruments, with a particular focus on environmental tax reforms.

In the field of **public financial management,** department REFORM continued to support Member States to enhance the efficiency, effectiveness, and sustainability of public spending. Support measures particularly addressed objectives such as: improvement in the quality, transparency, and value for money of public spending and creation of further fiscal space for green investments and sustainable.

Examples of support provided **in e-Government and digital public administration** include projects on increasing the capacity of the Dutch competent authorities to supervise AI, digital-ready legislation in Denmark, establishing a statistical Interoperability Node in Spain, and supporting open government in Greece.

In the area of **judicial reforms,** department REFORM supported several Member States in strengthening their justice systems, including through an enhanced user-centricity and improved accessibility for citizens, and to modernise their proceedings through digitalisation. Continued support was provided to Finland, Spain and Ireland for access and quality of justice for children victims of violence through establishing Children's houses in line with the

Barnahus model. In Estonia, department REFORM supported pilot project on strengthening the protection for victims of crime and improving victim support services with strong multi-disciplinary cooperative approach of relevant stakeholders.

In 2023 department REFORM continued to provide technical support to Member States in the area of **anti-corruption, integrity and accountability**. The department has supported Spain and Portugal towards strengthening corruption prevention and detection by leveraging IT tools and methodologies, and worked on the ground with Latvia, Finland and Poland to establish robust internal control and audit functions to foster good and accountable public governance. In the area of **public procurement**, department REFORM continued to assist Ireland in driving innovation and digitalisation across the procurement cycle to improve the efficiency of processes while enhancing integrity and transparency controls to reduce vulnerabilities and risks of corruption in public procurement.

In the field of **education and training**, the programme supported Member States in designing new skills strategies and learning frameworks, as well as governance and monitoring mechanisms of national action plans in the area of digital education. The programme also helped Member States render their education systems more inclusive and equitable while improving the impact of curriculum reforms. DG REFORM continued to assist the Member States in the development of quality assurance policies, standards, and practices to advance the development of high-quality digital higher education in Hungary. In Croatia, it provided a wider and more equitable access to higher education, tackling the digital divide between students in urban and rural areas, and enhancing digitalisation as a means of supporting students with disabilities. Other reforms focused on the development of a model and an implementation roadmap to scale up school community engagement processes in Ireland, on setting up model EPAL schools, in the spirit of other **European Centres of Vocational Excellence**, through establishing and holding strategic and systematic dialogue with social partners.

DG REFORM launched a number of projects supporting education, training and skills systems,

Supporting skills development through reforms

In the context of 2023 being the European Year of Skills, several TSI projects focused on enabling Member States to set and implement strategies that support skills development either at national level (Sweden), or at specific levels of the education (higher-education in Spain), at sectoral level (digital skills for the workforce in Estonia, Italy, Lithuania, Romania and Spain), or to support SMEs to develop the skills of their employees (Latvia).

On 25 May 2023, in Porto, DG REFORM organised a high-level conference on Skills development through reforms to discuss with Member States, social partners and other stakeholders how to best support national administrations achieve the necessary reforms in the area of skills development, and how to build synergies with EU funds such as the European Regional Development Fund and the European Social Fund+.

aligning Member States' needs with Commission priorities for the **European Education Area**, the **European Skills Agenda** and the 2030 headline targets of the Action Plan on the Implementation of the Pillar of Social Rights to have at least 78% people in employment and at least 60% of adults in annual training. DG REFORM launched support to the Hungarian authorities on the design a single micro-credential system for lifelong learning based on national standards, initiated a project to support Latvian higher education

institutions and research organisations to institutionalise new approaches to academic career development, including doctoral education. DG REFORM also supported Cyprus in developing an operational framework for the institutionalisation of all-day schooling at the lower secondary education level, with a focus on curriculum enrichment and personalised guidance to students most in needs. Two projects with Austria and Italy focus on the forecasting of supply and demand in the teaching profession.

DG REFORM provided support for the **digital transformation** in North-Rhine Westphalia and Bavaria (Germany) through digital upskilling strategies targeting the public administration and citizens, respectively. Austria received support on the digitalisation of the school education system, including the digital competences of teacher educators and the digital delivery of educational media. DG REFORM supported the Flemish authorities in Belgium on two reforms, to improve early career support (induction) for beginning teachers and to guide schools in the digital transition.

Support for increasing the modernisation of public employment services

DG REFORM contributed to strengthening public employment services and to designing and implementing active labour-market policies in several Member States. Technical support focused optimising processes and services at the National Employment Agency in the context of the global challenges related to the green and digital transitions in Bulgaria, developing employment services for economically inactive people in order to facilitate their entry into the labour market, and addressing youth unemployment (support to three regional labour offices in Poland).

In the area of **social services**, DG REFORM supported the reform of social security system in Portugal with the aim of creating a unified social benefit, to strengthen the monitoring and evaluation of social policies and to facilitate the implementation of the European Child Guarantee through a multi country project with Finland and Ireland that aims to improve the inclusiveness of their education systems and promote awareness towards inclusive education in mainstream settings and support to Czechia on the establishment of a framework on early childhood education

and care. DG REFORM supported the strengthening the capacity of Greece to address children at risk of poverty and social exclusion and the capacity of Slovakia to integrate children with disabilities in substitute care.

In the area of **labour market and employment**, DG REFORM contributed to strengthening public employment services and to designing and implementing active labour-market policies in several Member States.

In the area of **health**, DG REFORM continued to support Member States on reforms targeting access and quality of primary care, health workforce, digital transformation of health systems, health system performance assessments (HSPA) and strategic use of EU funds for health through the Resources Hub for Sustainable Investments in Health. In 2023 the Commission adopted a Communication on a comprehensive approach to mental health. Two out of the 20 flagship initiatives set in this Communication relate to TSI: the TSI 2023 Youth First flagship initiative and the TSI 2024 Flagship initiative on Mental Health - Fostering Wellbeing and Mental Health. The Youth First Flagship aims at improving educational, social and health outcomes for children and young people. Under this flagship, in 2023, DG REFORM launched a multi-country project which supports Cyprus, Italy and Slovenia and a region, Andalusia, to reform their systems in the area of youth mental health. Department REFORM also supported health reforms corresponding to such Commission priorities as the European Health Union.

Resources Hub for Sustainable Investments in Health multi-country project

This multi-country project with Slovenia, Austria and Belgium aims to enable the ministries of health of those to make a more strategic and efficient use of EU funds to enable the healthcare sector's development and put innovation at the heart of their health systems. Through the "Health Hub", the Member States can identify the best funding opportunities to undertake key reforms for the benefit of citizens. Drawing on pilot projects in the areas of primary care, integrated care and the greening of the hospital system, a concept for a Health Hub that would be available to all Member States in order to support them to undertake reforms and make investments in health will be developed.

EU Supervisory Digital Finance Academy

During its first two years, the EU Supervisory Digital Finance Academy has been gathering 37 national authorities from 26 Member States, hosting more than 1,000 participants from across the EU thanks to the Technical Support Instrument. This project is helping national authorities to seize the opportunities of innovative technologies and digital applications in the financial sector, while supporting them to cope with the risks. By enhancing the skills of the national regulators and supervisors' staff, this academy will strengthen the protection of consumer and create opportunities to develop innovative, efficient, and inclusive financial products for consumers and businesses across the EU.

In 2023, the department continued to expand the work supporting Member States in the **financial sector** through projects aimed at the preparation and implementation of growth enhancing administrative and structural reforms. Several projects were delivered in the area of digitalisation of financial markets, sustainable finance, anti-money laundering, financial literacy, reinforcing financial stability, improving consumer protection and business practices, insolvency and as well as the effective and uniform implementation of sanctions. Alongside in-house

expertise, DG REFORM delivered technical support in the financial sector by collaborating with other parts of the European Commission, national and EU agencies, international organisations, and providers from the private sector.

Specific Objective 1.2: Enhancing green and digital transitions, sustainable growth and economic resilience through EU financial support to Member States' reform and investment plans

In 2023, DG REFORM continued to play a significant role in supporting the preparation or the implementation of the **Recovery and Resilience Plan related projects**. Department REFORM has worked closely with other Commission departments (SG RECOVER and DG ECFIN) to offer this technical support. This close cooperation helps to identify areas for effective support, particularly where risks related to implementation of the RRP are identified. RRP-related support in 2023 concerned the implementation of reforms and investments in the RRP of all Member States, as well as on the communication of the impact of the plans. Overall, 23 Member States have benefited from the general support in the implementation of their NRRPs. This also allowed public administrations to set up the right mechanisms and build their capacity to implement and monitor the NRRP across all its components.

Finally, in 2023, the department continued publishing (on a dedicated space on its website¹¹ and in other specific communication materials) information about the technical support offered to Member States to implement their RRP.

Support for green and digital transitions

In 2023 department REFORM continued to support Member States in the implementation of the **European Green Deal** and in achieving the green transition.

Department REFORM assisted Member States in the area of **energy**, including tackling the energy crisis triggered by the Russian invasion of Ukraine. In particular, DG REFORM supported

Flagship Technical Support Project "Support to the renovation wave"

The project aimed at helping Member States to step up the energy renovation of buildings, a key component of the European Green Deal which helps pave the way to a decarbonised energy system. DG REFORM has been helping 11 Member States to prepare and implement reforms to accelerate the energy renovation of buildings. This includes for example support on the energy renovation of public buildings, historic buildings, or multi-apartments, and to the creation of a one-stop-shop for renovation.

Member States in the increase of uptake of renewable energy, for example offshore wind in Ireland, and for faster permitting for renewable energy under the Flagship "Accelerating permitting for renewable energy" in several Member States. Department REFORM also supported the development of hydrogen in Romania and the Netherlands. Furthermore, DG REFORM provided assistance to the Member States in

improving their capacity to plan the decarbonisation of energy systems, for example with the decarbonisation of the Baltic regional gas market. Under the flagship project "support to the renovation wave", DG REFORM supported a number of Member States, for example helping Lithuania and Hungary with the renovation of public buildings, Ireland with energy retrofitting of historical buildings, and Cyprus with policies to alleviate energy poverty through energy renovation of buildings.

¹¹ https://reform-support.ec.europa.eu/what-we-do/recovery-and-resilience-plans_en

As far as **climate change mitigation and adaptation** is concerned, department REFORM defined a flagship technical support project on climate adaptation and continued the support towards the preparation of a long-term climate mitigation strategies and pathways to achieve carbon neutrality, for instance in Romania and Czechia. DG REFORM also assisted the Member States in the prevention of climate-induced disasters, for example with the prevention of wildfires in Portugal, and helped Poland prepare a revised climate adaptation strategy. In Malta, DG REFORM continued to provide support on coastal protection. DG REFORM is furthermore providing support to 11 Member States, through a dedicated flagship, to empower their financial supervisors to better prevent and mitigate risks of greenwashing practices in financial markets and monitor Environmental, Social and Governance (ESG) risk in the economy and assist Member States in financing climate adaptation.

In line with the 2030-2035 EU waste management targets, the EU Action Plan for the Circular Economy and the Zero Pollution Action Plan, DG REFORM assisted a number of Member States in **improving waste management** and transitioning towards **circular economy**. For example, it helped Austria to increase the circularity of their raw material use and continued to help Cyprus and Romania for the improvement of their waste management.

Department REFORM was also active in supporting Member States in **water-related reforms** to ensure compliance with the Water Framework Directive, the Drinking Water Directive, the Urban Wastewater Treatment Directive, and to prepare action plans to increase the efficiency of water supply networks. For example, DG REFORM supported Croatia to reduce water losses in their networks and Hungary to harmonise and improve their monitoring of water quality. DG REFORM also launched the project in Estonia on implementation of action plan towards the long-term financial sustainability of water operators.

Under the flagship project "support to the implementation of the Just Transition", DG REFORM launched the implementation of the **Just Transition Mechanism** in six Member States (Greece, Sweden, Hungary, Croatia, Slovakia and the Czech Republic).

In the area of **biodiversity protection**, DG REFORM helped the Netherlands, Germany and Denmark with protecting the migratory route of water birds. DG REFORM also supported Estonia in assessing the effectiveness of their conservation measures, and continued to support Finland in fighting forest pest risks and Italy to enable green infrastructure and nature-based solutions.

DG REFORM supported Member States to improve **environmental enforcement**, for example by continuing to support Portugal to improve its environmental inspections and permitting processes, and Austria to fight environmental crime. DG REFORM also supported the implementation of the **Sustainable Development Goals** in Malta.

As **improving competitiveness** requires coordinated approach at national and regional level, there is a stronger regional dimension of technical support in recent years. In 2023 DG REFORM contributed to the area of **competitiveness** and **resilience** of the EU and national economies, in order to stimulate sustainable growth.

In the area of **better regulation and administrative burden reduction to businesses**, DG REFORM has also been active in several Member States. An important example is the support provided to Croatia for the development of a digital platform for the country's SME Test. The digital platform aims to enhance the document management of Croatia's internal co-ordination of the SME Test (including tracking and co-ordination between Ministries), provide all guidance documents in one place (including a set of standardised values used to calculate the impact assessment), and offer impact simulations. The support was provided to assist the implementation of Croatia's national Recovery and Resilience Plan.

DG REFORM provided support to strengthen **innovation capacity** and performance in several Member States. An important example is the support provided to Slovenia to enhance its research and innovation system by establishing a new governance model that encourages collaboration among relevant administrations responsible for R&I policies to better align their plans. The project contributed to the implementation of the national Recovery and Resilience Plan (RRP). In the area of **state assets management**, DG REFORM provided support to Romania to improve the governance of its state-owned enterprises (SOEs) by revising and aligning national legislation with the OECD Guidelines on Corporate Governance of SOEs. Through this support, Romania is implementing recommendations included in its national RRP. DG REFORM also implemented projects to promote **Member States' investments**, for instance in Croatia, through a project directly linked to the national RRP and aiming to strengthen the strategic framework for promotion and facilitation of Foreign Direct Investment.

In 2023, DG REFORM provided support to several Member States under TSI flagships to promote sustainable, resilient and digital **tourism ecosystem**, as well as to develop their **industrial strategies** and improve their national market surveillance and intellectual property systems.

In the area of sustainable **transport and mobility**, DG REFORM supported a number of Member States in developing their national mobility systems, inter alia through the implementation of mobility master plans and the promotion of innovative mobility solutions. In Poland, DG REFORM supported the Ministry of Infrastructure in developing administrative capacity in 15 Polish towns and local and regional functional transport authorities in the development of Sustainable Urban Mobility Plans (SUMP). Greece benefited from support to develop its logistics sector, through specific recommendations to position as a gateway to EU businesses for containerized freight to Central Europe.

Flagship Technical Support Project “Digital transformation for regional and local public administrations”

The project aimed at helping EU regional and local authorities design and implement structural reforms in the field of digital public administration. The impact of the project includes the acceleration of the digital transition in the EU Member States through the implementation of EU digital strategies (such as the 2030 Digital Decade or the Once-Only principle) at the regional and local levels.

DG REFORM has also been providing Member States with support in a number of projects related to the **digital transition**. In particular, DG REFORM has provided expert advice to the Merchant Shipping Directorate of Malta to develop, implement and operate the IT infrastructure and applications needed to digitalise the Maltese Maritime Administration. It also assisted the authority to enhance its administrative capacity to support the

digitalisation transformational process. In Slovakia, DG REFORM supported the authorities to design a framework for eGovernment solutions concerning priority life situations and implement digitalisation related investments included in the national RRP.

Specific objective 1.3: Steering and coordination of the provision of the technical support across the Commission departments, and as part of the European Semester

The **coordination mechanism**, as set up under the TSI, was created to align relevant technical support with the Commission’s policy priorities and Member States’ reform priorities. In 2023, DG REFORM continued to coordinate with other Commission departments and stakeholders on the technical support the Commission provides to Member States. Such continued approach ensures synergies and the complementarity of its activities and avoids overlaps with other Commission support measures.

To enhance the efficiency of the TSI deployment, the department continued its support via the **Member States TSI coordinating authorities’ network**. The network has encouraged dynamic communication and collaboration with the coordinating authorities and among the authorities themselves, through a dedicated IT platform. The network was also used to encourage interest in multi-country thematic projects and to gather feedback on the TSI planning and the IT tools used.

Department REFORM also contributed to the **country reports** under the guidance of SG RECOVER/ECFIN in the framework of the European Semester. Country analysis focused on how technical support projects have supported the reform needs of the Member States' in 2023, including those linked to the implementation of their RRP (see Specific Objective 1.2).

Specific Objective 1.4: Improving, steering and coordinating knowledge on Public Administration and Governance as part of the European Semester and in the context of the technical support to Member States

In 2023 department REFORM reinforced further its collaboration with the Member States and among the Commission services with the view of identifying and addressing the main challenges for **public administration**.

The Commission adopted in October 2023 the **Communication “Enhancing the European Administrative Space - the ComPact”** - a strategic set of actions to support the administrative modernisation of the Member States and strengthen the administrative cooperation between them. **The Expert group on Public Administration and the Inter-Service Group for Public Administration and Governance (IGPA)** played a crucial role in facilitating the exchanges of information, knowledge and feedback in the process of preparation of the ComPact.

In October 2023, building on the 2022 Staff Working Document, REFORM partnered with the research departments for the organisation of a **“Science for Policy in Europe” Conference** where department REFORM contributed to the discussions with good practices from TSI. Immediately afterwards, a thematic meeting of the Expert Group on Public Administration and Governance was organised, in close cooperation with the JRC, dedicated to the exchange of good practices in the area of science for policy making.

In 2023 REFORM continued to contribute to the **evidence-informed analysis of public administration for all EU Member States** presented in the European Semester spring package through the “Thematic annex 13: Public Administration”¹² and to develop the **Commission’s Assessment Framework for Public Administration and Governance** with methodologies for assessing the use of evidence in policy making. The results were presented to the Expert Group on Public Administration and Governance. The overall approach to measuring aspects of public administration was presented in the OECD Public Employment Working Party meeting in May 2023. A joint project with the OECD launched in early 2023, aims to improve the common measurement framework for **comparative public employment data** at the EU level (and beyond), with clear guidelines on data collection methodologies as well as clear definitions of the key indicators.

Through the Technical Support Instrument, the **Public Administration Cooperation Exchange (PACE) initiative** was launched. In 2023 over 20 exchanges were organised with the participation of 17 Member States. Out of the 300 foreseen in the TSI 2023 Financing decision¹³, more than 100 civil servants have already participated in study visits on multiple topics such as human resources management, green transition, and digitalisation.

The **Expert Group on Public Administration and Governance** met five times in 2023, twice to discuss national public administration reform priorities, evidence-informed policy making, attractiveness, skills and the impact of artificial intelligence on public administration. Three other meetings (one hybrid and two online) of the Expert Group were dedicated to the preparation and adoption of the ComPact.

In 2023 department REFORM commissioned a **study on the cost of underperformance in public administration**. It was presented and discussed with the Expert Group in January 2024. In addition, REFORM provided a grant to the European Institute of Public Administration (EIPA) for the organisation of the **European Public Sector Awards**. The Awards will take place in 2024 and department REFORM will help promote the selected best practices and the

¹² https://economy-finance.ec.europa.eu/publications/2023-european-semester-country-reports_en

¹³ Financing decision on the financing of the Technical Support Instrument and the adoption of the work programme for 2023 COM(2023)1786 final of 20.03.2023

lessons learned from the Awards. Moreover, the grant will help develop further the database with cases to support the transfer of good practice as well as research on public administration.

Specific Objective 1.5: Supporting the reunification of Cyprus through the Aid Programme and Green line trade

In 2023, DG REFORM continued to be actively engaged in **supporting the resumption of settlement talks under the UN framework**. The DG also continued to deliver assistance to the Turkish Cypriot community (TCc) under Council Regulation (EC) No 389/2006 (the "Aid Regulation") and to monitor the implementation of Council Regulation (EC) No 866/2004 (the "Green Line Regulation"). In 2023, DG REFORM prepared the **Annual Reports from the Commission on the implementation of the Aid Regulation and the Green Line Regulation** for the year 2022.

Under the multiannual financial framework 2021-2027, the **Aid Programme** has a total budget of EUR 240 million. It aims to facilitate the reunification of Cyprus by encouraging the economic development of the TCc with particular emphasis on the economic integration of the island, on improving contacts between the two communities and with the EU, and on preparation for the EU acquis. The Aid Programme is implemented in the areas of the Republic of Cyprus in which the Government of the Republic of Cyprus does not exercise effective control and where the application of the acquis is temporarily suspended pursuant to Protocol 10 of the Treaty of Accession. This implies that the Commission operates in a unique political, legal and diplomatic context.

DG REFORM continued to steer and promote **economic integration and development** by providing assistance packages to small and medium-sized businesses in the TCc, which would increase competitiveness and innovation. Nearly 100 businesses received grants worth EUR 4.6 million, resulting in the creation of more than 200 new jobs, introduction of EU quality standards, and support to digital transformation. The EU Into Business programme reached more than 1 150 entrepreneurs, culminating in the creation of 36 new businesses. The EU Incubator Hive was launched driving high value start-ups.

In terms of **economic convergence**, the cooperation with the World Bank on macroeconomic monitoring, statistics, facilitation of trade and improving the business environment through simplification of procedures continued. The first comprehensive Household Budget Survey (HBS) with a focus on monitoring of poverty in the TCc was completed and the findings widely discussed. Work on overcoming obstacles related to the opening of bank accounts for Turkish Cypriots and payments for Green Line trade advanced with the support of the World Bank.

DG REFORM continued its long-standing support to the TCc to meet **EU standards in food safety and animal health** and in the prevention, detection and elimination of animal diseases. Farm advisory services were provided to farmers and farmer organisations, which resulted in the creation of a pool of over 100 local technical advisors and a vibrant network of stakeholders eager to broaden their knowledge and enhance practices. A total of 53 farmers, cooperatives and food business operators were supported through grants worth EUR 3.5 million, increasing their efficiency and productivity.

In the context of the implementation of **EU's Protected Designation of Origin (PDO) scheme for Halloumi/Hellim** in the TCc, dedicated technical experts supported farmers, food business operators and local bodies in charge of controls throughout the food production chain to meet the requirements of the PDO scheme. As a result, in March 2023, **the first Halloumi/Hellim produced in the TCc was certified as PDO compliant**. By end 2023, three Halloumi/Hellim cheese producers and 15 farms in the TCc had been certified and attested respectively under the PDO scheme. Targeted support will continue to further help Turkish Cypriots in the implementation of upgrades to meet EU standards in the food production value chain and in animal health, including with a view to enable Green Line trade of PDO compliant TCc produced Halloumi/Hellim. The implementation of the PDO scheme continued to be accompanied by meetings of the bi-communal EU Informal Working Group on Halloumi/Hellim, which held four meetings in 2023.

The EU continued its support to **education**, focusing on vocational education and training, lifelong learning, and professional development of teachers. Curriculum packages for 20 occupations were developed and 330 teachers were trained on the new curricula. In total, 103 trainings were organised and nearly 200 modules developed to enhance the skills and knowledge of all teaching staff in the TCc.

DG REFORM continued to implement large **infrastructure projects**. This included the completion of Kormakitis Centre for Cooperation, Morphou wastewater treatment plant extension, and Kouklia wetlands rehabilitation. The remedial works for the Famagusta sewerage network progressed substantially. Further, a pre-feasibility study for a bi-communal solar power plant in the buffer zone was near delivery by end 2023.

To foster reconciliation, **confidence-building measures** and support to civil society, DG REFORM continued to fund the activities of the Committee on Missing Persons and the bi-communal Technical Committee on Cultural Heritage. In addition, the bi-communal peace education programme provided 9 Greek Cypriot and 9 Turkish Cypriot scholars with the opportunity to study at the United World Colleges. Significant support was provided for **civil society** in the TCc, with 18 grant agreements worth EUR 3.2 million signed with civil society organisations and activists. They support bi-communal dialogue and civic engagement in the areas of human rights protection and anti-discrimination, fighting human trafficking, women's economic inclusion, labour, health, environment, culture and sports.

To bring the **TCc closer to the EU**, 160 scholarship grants have been awarded to Turkish Cypriot students during the academic year 2022-2023 to attend universities in EU countries. DG REFORM also launched the Alumni Connect Digital, an online platform for enhanced engagement of the scholarship alumni.

In 2023, the value of **Green Line trade** increased up to EUR 16 million compared to EUR 14.6 million in the previous year. In addition to the six types of processed foods of non-animal origin which were admitted for Green Line trade for the first time in 2022, materials that come in contact with food and two new processed food products of non-animal origin were admitted for trade, namely table olives and various fruit juices. **TAIEX experts** continued to ensure that EU standards for the traded food products were met, including by providing

phytosanitary inspections and certificates for all traded fruits and vegetables. As a result, there was a high interest in the business community for support to increase compliance with EU standards. To further facilitate Green Line trade, DG REFORM launched the **EU One Stop Shop**, which provides knowledge, support and networking opportunities to businesses and traders interested or engaged in Green Line trade.

More than 500 **communication and visibility** activities were organised in 2023 to showcase the EU's work and the support provided for Cyprus settlement. Jointly with the EU Info-point, DG REFORM organised communication and visibility actions covering EU-related themes, such as disability rights, freedom of expression, Green Line trade and the European Green Deal. A total of 30 events were organised with over 20 000 participants, reflecting a change of policy towards a stronger focus on visibility outputs and increased outreach of communication events with higher number of beneficiaries. Within this period, DG REFORM developed 20 publications, 75 infographics and 15 audio-visual products.

Finally, DG REFORM chaired the **inter-service group on Cyprus** with a view to helping to remove obstacles for Turkish Cypriots for them to enjoy their rights as EU citizens, and to allow Turkish Cypriot individuals, businesses and civil society organisations to benefit from EU programmes implemented in the Republic of Cyprus as far as this is legally possible. This aims to bring the TCc closer to the EU and thus contribute to facilitate the reunification of Cyprus.

2. INTERNAL CONTROL AND FINANCIAL MANAGEMENT

Assurance is provided on the basis of information on the efficiency and effectiveness of internal control systems and governance processes. The management monitors the functioning of the internal control systems on a continuous basis and carries out an objective examination with internal and external auditors. The results are explicitly documented and reported to the Director-General. The following reports / documentation have been considered:

- Department REFORM's authorising officers by sub-delegations (AOSD) reports, their annual declarations on the 2023 operations;
- Available pillar-assessment reports for entrusted entities working with department REFORM under indirect management as understood in article 62.1(c) FR;
- The reports on control results (management declarations and audit opinions) from entrusted entities (including International Organisations) in indirect management, as well as the result of the Commission supervisory controls on the activities of these bodies;
- The contribution by the Director in charge of Risk Management and Internal Control, including the results of internal control monitoring at the department level;
- The reports on recorded exceptions and non-compliance events referring to the activities of 2023 and any cases of 'confirmation of instructions' (Art. 92.3 FR);
- The limited conclusion of the Internal Auditor on the state of internal control, and the observations and recommendations reported by the Internal Audit Service (IAS);
- The observations and the recommendations reported by the European Court of Auditors (ECA);
- The ex-post control reports based on internal desk reviews made on procurement procedures and the insourced and outsourced audits and verifications made on grants and contribution agreements;
- The expenditure audit verification reports submitted by the grant beneficiaries in support of cost claims;
- The conclusions of the anti-fraud control actions carried out as part of the anti-fraud strategy.

The systematic analysis of the available evidence provides sufficient guarantees as to the completeness and reliability of the information reported and results in the full coverage of the budget delegated to the Director-General of department REFORM.

This section covers the control results and other relevant elements that support management's assurance. It is structured into 2.1.1 Control results, 2.1.2 Audit observations and recommendations, 2.1.3 Effectiveness of internal control systems, and resulting in 2.1.4 Conclusions on the assurance.

2.1. Control results

This section reports on the control results used by management to support the assurance on the achievement of the internal control objectives (ICO) ¹⁴. The department REFORM's assurance-building and materiality criteria are outlined in annual activity report annex 5. The annual activity report annex 6 outlines the main risks together with the control processes to mitigate them and the indicators used to measure the performance of the relevant control systems.

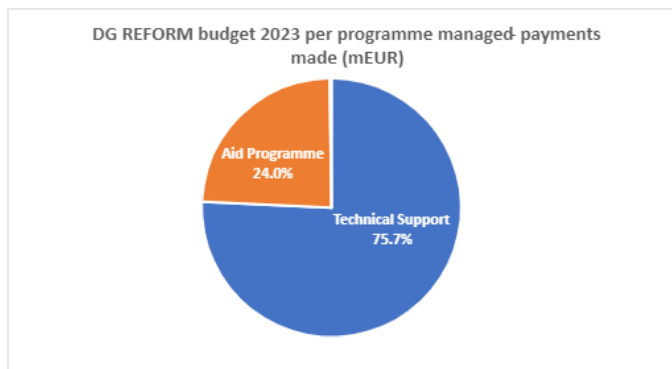
Department REFORM operates under three distinct control systems: direct management grants (directly awarded grants in case of the Technical Support), direct management procurement and indirect management (delegation / contribution agreements with entrusted entities). Department REFORM applies robust controls at each stage of the process: selection and evaluation of proposals for grants (Aid Programme) and selection of tenders for procurement. In case of directly awarded grants the exception to call for proposal is submitted to the AOSD for approval before signature of the legal commitment. The financing decision authorises the conclusion of directly awarded grants. At implementation stage 100% ex-ante controls over payments are applied in line with Financial Regulation, for non-pillar assessed grants second level ex-ante verification according to risk assessment is applied. Ex-post controls are based on a sample after contract closure and ensure representative selection from all the units. Procurement procedures are subject to the ex-post desk review on a sample basis to ensure compliance with the relevant legal basis. In indirect management the department relies exclusively on co-operation with pillar-assessed entrusted entities, which provides an additional element of assurance.. Regular supervision of the entity is ensured at implementation stage. More detailed information on controls applied in each control system and indicators to measure their performance is included in annex 6. Assurance building and materiality criteria are outlined in the annual activity report annex 5. The structure of the 2023 budget (in commitments and payments) is presented below.

	payments made 2023 (mEUR)	commitments 2023 (mEUR)
TECHNICAL SUPPORT	117,65	111,70
Direct management	55,01	57,69
<i>Grants non-pillar assessed</i>	7,27	8,18
<i>Grants pillar-assessed</i>	1,03	0,66
<i>Procurement</i>	44,51	46,62
<i>Administrative arrangements</i>	2,21	2,23
Indirect management	62,64	54,01
AID PROGRAMME	37,34	37,35
Direct management	27,91	20,19

¹⁴ 1) Effectiveness, efficiency and economy of operations; 2) reliability of reporting; 3) safeguarding of assets and information; 4) prevention, detection, correction and follow-up of fraud and irregularities; and 5) adequate management of the risks relating to the legality and regularity of the underlying transactions, taking into account the multiannual character of programmes as well as the nature of the payments (FR Art 36.2). The 2nd and/or 3rd Internal Control Objective(s) (ICO) only when applicable, given the DG's activities.

<i>Grants non-pillar assessed</i>	4,60	4,71
<i>Grants pillar-assessed</i>	-	
<i>Procurement</i>	23,31	15,48
<i>Indirect management</i>	9,43	17,16
ADMINISTRATIVE EXPENDITURE	0,32	0,93
TOTAL BUDGET	155,31	149,98

In 2023, department REFORM total budget (payment appropriations) was EUR 167.55 million. Department REFORM implemented 92.7% of the available appropriations by making payments for EUR 155.31 million, of which 76% under the Technical Support and 24% under the Aid Programme. In terms of management modes: 46% was implemented via indirect management, 44% via procurement. The remaining part (8%) constitutes grants (pillar- and non-pillar assessed under both programmes) and administrative expenditure.



Department REFORM implemented the TSI, SRSP and ESIF payment appropriations primarily under direct management (47%), in the main following proportion: grant direct management (15%) and procurement (85%). 53% of the credits were used under indirect management.

The majority of the payment appropriations under the Aid Programme were also used under direct management (75%), mainly through procurement contracts (83.5%) and grants agreements (16.5%). 25% of the credits were used under indirect management.

In line with the 2018 Financial Regulation, department REFORM's assessment for the new reporting requirement is as follows:

No cases of "confirmation of instructions" (FR art 92.3)

No cases of financing not linked to costs (FR art 125.3)

No Financial Framework Partnerships >4 years (FR art 130.4)

No cases of flat-rates >7% for indirect costs (FR art 181.6)

No derogations from the principle of non-retroactivity pursuant to Article 193 of the Financial Regulation.

2.1.1. Effectiveness of controls

a) Legality and regularity of the transactions

Department REFORM uses internal control processes to ensure sound management of risks relating to the legality and regularity of the underlying transactions it is responsible for,

taking into account the multiannual character of programmes and the nature of the payments concerned.

1) Control objective

The main control objective in the area of legality and regularity is to ensure that the estimated residual error rate (the amount that remains uncorrected after corrections on the audited payments) does not exceed 2% of the total annual expenditure for each segment of the budget (annex 5 – materiality criteria). The residual error rate was calculated in accordance with the multiannual approach. Therefore, the results presented in this section take into account the risks related to the management modes and instruments used for each type of expenditure, the controlled/audited amounts and the error rates identified. The results of the controls and the conclusions reached feature below, under each expenditure management mode.

2) Assessment of the control results

a.1. Direct management

Procurement direct management

In 2023, department REFORM implemented a total of EUR 67.8 million (43.7%) in payments and signed contracts for EUR 62.1 million (41.4%) under procurement direct management.

Concerning the Technical Support appropriations implemented through procurement, department REFORM signed 99 specific contracts following re-opening of competition. Such specific contracts represent 97% of the total number of procurement contracts signed under the Technical Support.

Department REFORM applied the same operational and financial ex-ante controls to all procedures leading to the signature of a legal commitment or an authorisation of payments and continued to monitor from an operational perspective the projects and contracts milestones through the department's information system.

As for the Aid Programme work programmes, department REFORM managed various types of procurement procedures for establishing service and supply contracts (11 contracts), for instance, providing information services aiming to bring the Turkish Cypriot community closer to the European Union through running an EU Infopoint. Department REFORM also signed 4 specific contracts (including support expenditure) under some established EC framework contracts.

In accordance with the provisions of the Financial Regulation (article 74§10) department REFORM reports on the use of negotiated procedures during the year in Annex 3. In 2023 DG REFORM organised:

- five negotiated procedures under the Aid Programme:
 - in three cases for the repetition of similar services (three service contracts) taking into account the good performance of the services, the complex prior tendering process and the continuity of services in these key areas of work;

- in two cases for two service contracts in the framework of the Halloumi/Hellim Project, for a value of EUR 550 000, on the basis of the exclusive rights given by the Government of Cyprus to this entity taking into account the specialisation for the phytosanitary control and Protected Designation of Origin control.
- one negotiated procedure under the Technical Support Instrument for a middle value contract for the provision of recommendations for the improvement of the transfer pricing legal framework in Poland (second part of the project, which is part of a larger package of DG REFORM technical support to Poland).

Department REFORM has no previous record of overuse of negotiated procedures.

Ex-post controls

In line with the applicable ex-post control strategy and the 2023 desk review plan, department REFORM performed desk reviews to check the legality and regularity of the procurement procedures managed by the department.

Department REFORM reviewed eleven procurement procedures (for a total contract value of EUR 4.6 million, covering for 9% of the value of the awarded procedures in 2022) referring to the Technical Support, and six other ones (for a total contract value of EUR 4.6 million, covering for 72% of the value of the procedures awarded in 2022) under the Aid Programme.

The results of the 2023 checks revealed that department REFORM continued to ensure the legality and regularity of its procurement procedures under both Technical Support and the Aid programme. No significant weaknesses were identified in the review of the procurement procedures under both Technical Support and the Aid Programme and therefore, department REFORM keeps for these segments of expenditure a conservative estimate of 0.5% for its error rate.

Grant direct management

In 2023, department REFORM implemented a total of EUR 12.9 million (8.3%) in payments and signed agreements for EUR 13.6 million (9%) under grants direct management.

With respect to the Technical Support, department REFORM kept on reducing the number of its directly awarded grants (15 in 2022 and 12 in 2023). Almost all these direct grants were provided to 'non-pillar-assessed' grant beneficiaries. Such grants are subject to department REFORM in-depth ex-ante controls.

Under the Aid Programme, department REFORM signed eighteen grants to non-pillar-assessed beneficiaries. Seventeen grants were linked to a 2022 call for proposal finalised in early 2023. The other grant was allocated directly to a beneficiary with special technical expertise.

Operational and financial monitoring has been carried out during the life of the grants. Moreover, action grant (non-pillar-assessed) agreements for a value higher than EUR 100 000 (Aid Programme) and EUR 725 000 (Technical Support) were subject to verification of

the action's expenditure by external auditors. In 2023, department REFORM received audit certificates supporting the payments related to 21 grants agreements under the Aid Programme. Under the TSI eight final payments were supported by audit opinions, five by either expenditure verification report or certificate on financial statements.

Ex-post controls – Technical support

In accordance with its ex-post control strategy, department REFORM outsourced the audits of the grant payments made under the Technical Support. A total of ten different ex post controls covering for 96.1% of the sampled amounts paid took place in relation to the calculation of the 2023 Technical Support error rate.

Concerning the grant agreements established with pillar assessed organisations, only one grantee was subject to ex-post control. The multi-annual (2018-2023) detected error rate (DER) is 1.30% and the multiannual residual error (RER) rate – 0.74%. In addition, there were only two TSI grants with pillar assessed organisations closed in 2023: one with EIB for EUR 563 thousand covered by unqualified audit opinion and one with the IMF, which in line with the department REFORM ex-post control strategy will be subject to ex-post verification in 2024. Therefore, no financial reservation is deemed appropriate for this segment of expenditure.

Concerning the grants agreements made with non-pillar-assessed organisations (NPA), the ex-post control results indicate the detected error rate of this segment of expenditure being 4.67% at multi-annual level. On such a basis, the department has also calculated a residual error rate of 2.92% at multiannual level.

However, since this segment of expenditure accounts for 4.7% of the total payments made under the budget of department REFORM in 2023 and overall, suitable controls are in place and working as intended; risks are being appropriately monitored and mitigated; and necessary improvements and reinforcements are being implemented (e.g extra ex-ante controls as per Art.74.5) management decided to make use of 'de minimis rule' and not to issue a quantified financial reservation.

Ex-post controls – Aid Programme

Three grants under the Aid Programme were included in the 2023 ex post control plan and were outsourced to external auditors who reviewed 100% of the sampled amounts paid. The annual audit results confirmed no material error and lead to a detected error rate of 0.28% a residual error rate of 0.05% at multiannual level. A conservative estimate of 0.5% error rate is kept.

a.2. Indirect management

In 2023, department REFORM implemented a total of EUR 72.1 million (46.4%) in payments and EUR 71.2 million (47.4%) in commitments under indirect management.

Under the Technical Support, department REFORM made EUR 54 million in commitment and EUR 62.6 million in payments related to technical support projects managed by pillar-assessed organisations.

A share of the Aid Programme resources for the Turkish Cypriot community (TCc) were implemented by indirect management: EUR 9.4 million in payments to the Goethe Institute, NICO, the British Council, Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) and the UNDP.

Ex-post controls

Delegation/contribution agreements are considered to be low-risk operations because the entrusted entities apply their own established controls on their own accounting, internal control and audit systems, which have been positively assessed already in the ex-ante pillar assessment to manage the EU entrusted budget, and they are moreover bound by an obligation of detailed reporting, including final audit reports/opinions.

Department REFORM ensured appropriate supervision of the entrusted tasks by applying operational and ex-ante financial controls similar to the controls over the expenditure under direct management. The department's controls include a thorough examination and approval of the progress and final reports, the entrusted entities' management declarations and, if any, the audit and control opinions provided under the relevant agreements.

Due to a low risk profile of this segment of expenditure, only one contract was subject to ex-post controls. The audit conclusions related to the review of 69.7% of the sampled amount on this contract are positive.

Thirteen contracts under indirect management were closed in 2023, out of which:

- two with UN agencies , which as being pillar-assessed and having the FAFA with the Commission are considered low risk contracts. Both are additionally covered by management declarations;
- four with OECD , which is also a pillar-assessed organisation with FFPA signed with the Commission. All final payments were covered by management declarations;
- six with other pillar-assessed entrusted entities , for which the final payments were accompanied by an audit opinion. The audit conclusions related to the review of 71.24% sampled amount indicated an error of 0.07%.
- One contract not accompanied by an audit opinion will be subject to DG REFORM ex-post control in 2024, in line with the department's ex-post control strategy.

The review of additional sources of assurance above provides assurance on 93.1% of the final payments in 2023.

Department REFORM has reasonable assurance about the legality and regularity of the transactions processed under indirect management. Based on these elements, department REFORM keeps its best conservative estimate of the error rate at 0.5%.

a.3. Exceptions, non-compliance events, derogations and other deviations

The total final number of exceptions (3)¹⁵ and non-compliance events (3) recorded in 2023 reveals a same steady and limited recourse to exceptions and non-compliance events, like in 2022. The 'procedure on exceptions and non-compliance recording' is well established and known in the department. The majority of exception requests and non-compliance events signed, relate to procurement and contract management and it is medium in quantitative and qualitative terms with no systemic issue to be signalled. Based on the information reviewed, it can be concluded that the deviations recorded in 2023 have no major impact on the legality and regularity of department REFORM's operations.

Furthermore, one of the elements of the internal control activities is to manage the risk linked to sensitive functions. Such risks are generally kept at an acceptable level by means of preventive or detective controls. If it is considered that the residual risk (risk still emerging despite the controls in place) is still significant, the function is considered 'sensitive' for a maximum of five years. In exceptional cases, the duration of a sensitive function can be prolonged upon a case-by-case assessment. In 2023 the department carried out its annual assessment of sensitive functions as part of the annual risk assessment exercise. No need for derogation, mandatory mobility or additional mitigating controls was identified.

3) Overview of department REFORM risk profile

Department REFORM portfolio consists of low-risk segments of expenditure. Since the 2023 budget is composed in 46% of indirect management (exclusively with pillar-assessed organisations) and in 44% of procurement (significant proportion of specific contracts under the framework contract). One segment of expenditure, i.e., grant direct management with non-pillar assessed organisations under the Technical Support has a residual error rate of 2.92% in 2023. However, payments made under this management mode constitute only 4.7% of the total payments made in 2023. The error rate in this segment is due to the inherent risk profile of the funding modalities and beneficiaries.

Several management actions will be undertaken in 2024 to prevent the errors identified in 2023 ex-post controls under this segment of expenditure (e.g. kick-off meetings with beneficiaries ahead of implementation phase of the contract informing them about the contractual clauses, reinforced second level ex-ante controls based on risk assessment; in-house information sessions on financial management targeting operational units).

4) Table (X): Estimated risk at payment and at closure

Based on all the above, department REFORM presents in the following Table X an estimation of the risk at payment and risk at closure for the expenditure managed during the reporting year:

¹⁵ One exception is reported and encoded in CENTRICS under both exception and a non-compliance event as it constitutes an exception granted following a non-compliance event.

Table X: Estimated risk at payment and at closure (amounts in EUR million)
The full detailed version of the table is provided in annex 9.

Table X : Estimated risk at payment and at closure (amounts in EUR mios)

DG REFORM	Payments made	Relevant expenditure	Estimated risk (error rate %) at payment		Estimated future corrections and deductions		Estimated risk (error rate %) at closure	
	m EUR	m EUR	m EUR	%	m EUR	%	m EUR	%
TS - Grants non-pillar assessed	7,27	3,86	0,18	4,67%	0,00	0,03%	0,18	4,64%
TS - Grants pillar assessed	1,03	11,53	0,15	1,30%	0,00	0,03%	0,15	1,27%
TS - Procurement	44,51	44,51	0,22	0,50%	0,02	0,03%	0,21	0,47%
TS - Administrative arrangements	2,21	1,25	0,01	0,50%	0,00	0,03%	0,01	0,47%
TS - Indirect management	62,64	29,43	0,15	0,50%	0,01	0,03%	0,14	0,47%
Aid Programme - Grants non-pillar assessed	4,60	7,49	0,04	0,50%	0,00	0,03%	0,03	0,47%
Aid Programme - Procurement	23,31	24,58	0,12	0,50%	0,01	0,03%	0,11	0,47%
Aid Programme - Indirect management	9,43	4,24	0,02	0,50%	0,00	0,03%	0,02	0,47%
Administrative expenditure	0,33	0,33	0,00	0,50%	0,00	0,03%	0,00	0,47%
DG total	155,31	127,21	0,89	0,70%	0,04	0,03%	0,84	0,66%

The estimated overall risk at payment for 2023 expenditure, 0.70%, is the AOD's best conservative estimate of the amount of relevant expenditure during the year, not in conformity with the contractual and regulatory provisions applicable at the time the payment was made. This expenditure will subsequently be subject to ex-post controls and a proportion of the underlying errors will be detected and corrected in subsequent years, corresponding to the conservatively estimated future corrections for 2023 expenditure, 0.03%.

The difference between those two results in the estimated overall risk at closure ⁽¹⁶⁾, 0.66%. This is a decrease compared to 2022 (1.36%) mainly due to much lower detected error rate in procurement segment of the budget (0.5% in 2023 compared to 1.84% in 2022), which constitutes quite substantial part of the budget.

For an overview at Commission level, the departments' estimated overall risk at payment, estimated future corrections and risk at closure are consolidated in the AMPR.

5) Preventive and corrective measures

As regards the corrections carried out in 2023, department REFORM has in place an effective mechanism for correcting errors, through ex-ante and ex-post controls, resulting in preventive and corrective measures, amounting to none (EUR 0.13 million in 2022) in ex-ante controls and EUR 0.02 million (EUR 0.19 million in 2022) in ex-post controls respectively. This represents a decrease in terms of both preventive and corrective controls, which is explained respectively by:

¹⁶ This is the AOD's best, conservative estimation of the expenditure authorised during the year that would remain not in conformity of applicable regulatory and contractual provisions by the end of implementation of the programme.

- in case of preventive controls: the amount in 2022 relates to one contract only, where this amount was identified in the audit certificate;
- in case of corrective controls, the recovery activity is the function of errors identified in ex-post controls in the preceding year.

b) Fraud prevention, detection and correction

Department REFORM has developed and implemented its own anti-fraud strategy since 2021, based on the methodology provided by OLAF. It is updated every four years and was last updated in 2022 to streamline the controls related to management and reporting of conflicts of interest. Its implementation is being monitored and reported to the management via regular meetings with the director for internal control and risk management. All necessary actions except ex-post control via plagiarism detection tool for sampled final beneficiaries, have been implemented. The latter was not performed due to the limitations of the current corporate tool. The need to ensure more comprehensive anti-plagiarism tool at corporate level was signalled to central services and the department volunteered to participate to the corporate anti-plagiarism working group chaired by OLAF.

Department REFORM also contributed to the revised Commission anti-fraud strategy Action Plan of July 2023¹⁷, notably to action 8 by volunteering to participate in the working group on plagiarism to be created and chaired by OLAF and action 12 by encouraging Member States, through the TSI, to digitalise as appropriate fraud prevention, detection and investigation.

In 2023 no fraud enquiry was opened. Department REFORM did not have to follow up on any OLAF financial recommendations. The results achieved during the year were possible also thanks to the anti-fraud measures in place which can be summarised as follows:

- control reviews of: the staff 'Ethics and Integrity' training attendance; anti-plagiarism checks on e-grants by operational units; contracts/grants amendments, EDES checks;
- annual assessments of: the potential fraud risks as part of the annual risk assessment exercise; sensitive functions in the department; the external audit reports;
- regular updates of an online repository of information dedicated to preventing fraud and open to all staff and reminders to newcomers in the context of their introductory sessions;
- timely information to management on other Commission's departments/entities in the context of OLAF/EPPO cases; any carried out internal reviews and 'early detections and exclusion cases' (art.136 of the Financial Regulation).

On the basis of the available information, department REFORM has reasonable assurance that the anti-fraud measures in place are effective.

¹⁷ Commission Anti-Fraud Strategy communication COM(2023)405 final and Commission Anti-Fraud Action Plan SWD(2023)245 final.

2.1.2. Efficiency of controls

The tables below present the most relevant indicators on the efficiency of controls and their values in 2023. Annex 4 includes additional efficiency indicators of controls, all showing full positive results.

Indicator	Timely Payments (i.e. payment accepted amount in time (EUR)/payment accepted amount (EUR))								
Category	Efficiency of Controls /Timeliness								
Objective	Ensure efficient processing of payments within the legal deadlines								
Result	Department REFORM achieved 98% compared to the EC result of 99%								
	<table border="1"> <thead> <tr> <th>Timely Payments</th> <th>REFORM Score</th> <th>EC Score</th> </tr> </thead> <tbody> <tr> <td> </td> <td>98%</td> <td>99%</td> </tr> </tbody> </table>	Timely Payments	REFORM Score	EC Score		98%	99%		
Timely Payments	REFORM Score	EC Score							
	98%	99%							
Comment	Compared to the previous years (96% in 2022 and 99% in 2021) the score of 98% is considered a good result given the increased volume of payments and the overall Commission's performance.								
Other most relevant 'Efficiency' indicators	Values in 2023 - Trend (2019-2023)								
Average time taken to <u>inform</u> beneficiaries on grant award decisions (Art 194.2(a) FR),	107 ¹⁸ (155 in 2022 and 2021, 176 in 2020, 174 in 2019)								
Average time taken to <u>sign</u> grant agreements (Art 194.2(b) FR), referring to grants under the Aid Programme only	71 days ¹⁹ (64 days in 2022, 34 days in 2021, 55 days in 2020)								

Having regard to the completeness and reliability of the factual information and to the initiatives on efficiency implemented in 2023 as described above, department REFORM concludes positively overall with respect to the efficiency of its controls.

¹⁸ Aid Programme grants only, since TSI are directly awarded grants

¹⁹ Idem.

2.1.3. Economy of controls

Department REFORM conforms with Art. 74.9 of the Financial Regulation by quantifying and assessing the resources and the input required for carrying out its controls. Department REFORM has made estimates of the annual costs of controls for all its relevant control systems, distinguished by ex-ante and ex-post controls (annex 7).

The department's overall cost of controls is estimated to be below EUR 6 million, which is 3.7% of the payments executed in 2023 (4.2% both in 2022 and 2021). The estimated cost of controls in value terms remains stable. The decrease in % terms is the result of the overall increased value of the total payments made in the year (+ EUR 13.6 million i.e. 9.6% compared to 2022).

The overall estimated costs of controls performed on indirect management operations refer to the remuneration fees in 2023 paid to the entrusted entities as part of the Technical Support and the Aid Programme contribution/delegation agreements. In 2023 such fees amount to about EUR 1.8 million, which is 2.6% (2.2% in 2022) of the payments made under indirect management. The percentage of this cost of controls is in line with the same indicator for 2022.

Department REFORM reaches a positive conclusion as to the proportionality and economy of its controls considering the mitigation of risks under the relevant operations, the frequency and depth of the checks performed under the control strategy and the increasing level of funds managed in 2023.

2.1.4. Conclusion on the cost-effectiveness of controls

Based on the most relevant key indicators and control results, department REFORM has assessed the effectiveness, efficiency and economy of its control system and reached a positive conclusion on the cost-effectiveness of the controls for which it is responsible. Overall, department REFORM's controls of budget appropriations in 2023 remains cost-effective, considering:

- the overall cost of controls reviewed in 2023, whose absolute level is stable compared to last year;
- the stable control strategy with control systems functioning for the same type of operations, risks, activities;
- the cost-effective functioning of the ex-ante and ex-post controls and the generated financial benefits (e.g. detected errors for recoveries, rejected amounts claimed; credit notes issued; prevented costs of legal proceedings), non-quantifiable benefits and regulatory compliance;
- the lack of fraud cases and the positive ECA/IAS audit reports not resulting in any financial loss or reputational damage;
- the positive management declarations from the entrusted entities providing elements of assurance on the use of the received funds and the activities carried out during the year.

2.2. Audit observations and recommendations

This section sets out the observations, opinions and conclusions reported by auditors – including the limited conclusion of the Internal Auditor on the state of internal control. Summaries of the management measures taken in response to the audit recommendations are also included, together with an assessment of the likely material impact of the findings on the achievement of the internal control objectives, and therefore on management's assurance.

Internal Audit Service

The IAS recently considered all recommendations issued under the audit on DG REFORM's processes for delivering technical support to the Member States as implemented²⁰. All recommendations from the audit on the processes for coordinating technical support to the Member States addressed to DG REFORM have also been closed²¹.

In May 2023 the IAS issued an audit report on measuring and reporting on the performance of technical support projects. The audit resulted in two recommendations: the first “very important” recommendation relates to performance measurement methodology with a due date for implementation in December 2024, the second “important” recommendation targets performance reporting and its implementation is planned for March 2025. As a response, DG REFORM presented an action plan in June 2023, which was accepted by the IAS. The implementation of both recommendations has already started. Some areas for improvement identified during the audit have been addressed already before completion of the audit by the IAS, the work on the others is ongoing (cf. Annex 7). However, since both recommendations impact important process of the department (assessment of the reliability of performance information) and implementation is scheduled by end 2024, the declaration of the Director in charge of risk management and internal control duly reflects this issue.

On 15 February the IAS delivered its limited conclusion on the state of internal control in department REFORM, which says that *“the internal control systems in place for the audited processes are effective, except for observations giving rise to the ‘very important’ recommendation [...]. This recommendation needs to be addressed, in line with the agreed action plan.”*

European Court of Auditors

In 2023 department REFORM was not subject to any special audit report under the 2023 work plan of the ECA, however was requested several times to provide information on the contracts in the context of the RRF audits conducted with DG ECFIN and responded timely to all the requests.

²⁰ [Ares\(2023\)4595439](#)

²¹ [Ares\(2022\)6752548](#)

Two invoices under the Aid Programme have been sampled in the context of the ECA Annual Report 2023. No findings were reported. Furthermore, in 2023 the ECA concluded its audit in respect of Statement of Assurance for the financial year 2022 with no comments.

2.3. Assessment of the effectiveness of internal control systems

The Commission has adopted an Internal Control Framework based on international good practice, to ensure the achievement of its policy and management objectives. Compliance with the internal control framework is a compulsory requirement.

Department REFORM uses the organisational structure and the internal control systems suited to achieving its policy and internal control objectives in accordance with the internal control principles and has due regard to the risks associated with the environment in which it operates.

The improvements highlighted last year (e.g.; ensuring trainings on data protection, where eleven training sessions were delivered, and the implementation of the annual monitoring reports on the SRSP 2020 and TSI 2021) have been made as expected. The design of an internal communication strategy was postponed to 2024 to benefit from the results of the latest staff survey that will become available in Q1 2024. In 2023 department REFORM developed its first external communication strategy in line with the department's mandate and the successful initiatives launched in previous years. The strategy will be formally adopted and implemented in 2024 and will contribute to increasing the visibility of the department's work. IT security risk assessment started in 2023 with the intention to finalise the action plan by mid 2024.

Nonetheless, the internal control assessment 2023 pointed to some areas, where improvements are needed: ensuring attendance of ethics awareness trainings, full application of the IT EC governance process and security principles, monitoring of legality and regularity in TSI grants non-pillar assessed segment of expenditure (though below 5% of the payments made in 2023) and timely implementation of the IAS recommendations on measuring and reporting on performance of technical support projects (cf. Annex 7). The issue of legality and regularity has been reflected in section 2.1.1.(a) and 'de minimis' rule was applied in Annex 9. The issue of the reliability of performance information, affecting component IV (information and communication) of the internal control framework, is described in Part I and duly reflected in the declaration of the Director in charge of risk management and internal control in Annex 1. However, since implementation is ongoing (cf. Annex 7), the residual risk related to it does not affect in a material way the achievement of the internal control objectives.

The process and sources of information underlying the internal control effectiveness assessment are detailed in Annex 8 together with a number of actions planned to address the deficiencies.

The impact of the deficiencies identified is considered as 'minor' because the remedial actions are ongoing. As a result, the residual risk related to the above-mentioned issues does

not affect the achievement of the internal control objectives and the reasonable assurance provided in this report.

Department REFORM has assessed its internal control system during the reporting year and has concluded that: it is effective and the components and principles are present and functioning well overall, but some improvements are needed as minor deficiencies were identified as outlined in preceding paragraphs, which affect principle 1, 11 and 13 of the internal control framework. .

2.4. Conclusions on the assurance

This section reviews the assessment of the elements already reported in the previous sections above and the sub-conclusions already reached. It draws an overall conclusion to support the declaration of assurance.

The information reported stem from the results of management and auditors monitoring and analysis of the evidence available. This approach provides sufficient guarantees as to the completeness and reliability of the information reported and results in a comprehensive coverage of the budget delegated to the Director-General of department REFORM.

Legality and Regularity

Department REFORM concludes positively on the effectiveness of its control results regarding the legality and regularity of its operations during the year, except the segment of non-pillar assessed grants under the Technical Support, for which the multi-annual residual error rate is 2.92%. However, since this segment constitutes less than 5% of the budget (payments made) department REFORM has decided not to issue a quantified financial reservation, but to apply 'de minimis' rule for this segment of expenditure.

The multi-annual residual error rates for all other segments of the expenditure are below the materiality level (Cf. 2.1.1).

Sound financial management

Considering the ex-ante and ex-post controls in place, the key indicators and the 2023 control results on effectiveness, efficiency and economy, department REFORM can conclude positively on the cost-effectiveness of its controls and overall, on the achievement of the objective on sound financial management (Cf. 2.1.1).

Fraud prevention, detection and correction

No instances of fraud were investigated in 2023. Adequate controls were implemented to prevent and detect fraud and irregularities and reported to management for assessment and follow-up. Department REFORM continues to foster zero tolerance to fraud and its anti-fraud strategy (Cf. 2.1.1).

Audit results

The IAS concluded that the internal control systems in place for the audited processes are effective except for the observations giving rise to the 'very important' recommendation which is due for implementation by end 2024 (Cf.2.1.2). Progress is being made in the

implementation of audit recommendations which, at present, are not overdue for more than 6 months.

Effectiveness of the internal control systems

Finally, department REFORM concludes that its internal control system is effective and that the components and principles are present and functioning as intended, with some improvements needed. The deficiencies identified do not lead to assurance-related concerns, because the developments are ongoing (Cf.2.1.3).

In conclusion, based on the elements reported above, management has reasonable assurance that, overall, suitable controls are in place and working as intended; risks are being appropriately monitored and mitigated; and necessary improvements and reinforcements are being implemented. The Director General, in his capacity as Authorising Officer by Delegation has signed the Declaration of Assurance.

2.5. Declaration of Assurance

Declaration of Assurance

I, the undersigned,

Director-General of department REFORM

In my capacity as authorising officer by delegation

Declare that the information contained in this report gives a true and fair view

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 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 Commission.

Brussels, 27 March 2024

Mario NAVA

3. MODERNISING THE ADMINISTRATION

3.1. Human resource management

To deliver on REFORM's objectives and the priorities of the Commission as detailed above, the department requires an agile, skilled and engaged workforce. Faced with a continued lack of resources²², the emphasis has been on maximising actual resources via upskilling staff, supporting managers, and simplifying procedures (cf. 3.4 'Examples of economy and efficiency').

To that end, the following actions have been established:

Learning & development: a comprehensive internal training programme to ensure that all staff have the necessary knowledge and skills ahead of each annual programming cycle. In addition, the first Reform University took place allowing staff to get acquainted with broad policies of the Commission and improve their soft skills.

Managerial excellence: group coaching for managers to ensure that they have the tools and support necessary to manage effectively their workforce. Two groups were established: one for Deputy Heads of Unit and one for Heads of Sector/Team Leaders.

Further human resources initiatives included:

The need for a **better integration of newcomers**, given the new working environment, was addressed at both corporate and local level. In line with the corporate initiatives, REFORM revamped its newcomers' welcome week and began launching feedback surveys to new staff after 3 and 6 months. Further harmonisation of welcome procedures in the DG will take place in 2024. REFORM offers mentors to all newcomers, upon request, and any interested staff.

REFORM staff have requested a **job shadowing scheme** with other DGs to enhance knowledge sharing and collegiality. A number of REFORM staff already participated in the DG HR pilot job shadowing scheme.

Ethics: regular ongoing awareness raising campaign

Recruitment: REFORM successfully recruited AD laureates from its reserve list EPSO/AD/391/21 - "Member States' Structural reform support and Schengen Acquis" and by granting quotas to other DGs reinforced the skilled workforce of the institution.

Equality, Diversity and inclusion: awareness raising under the steer of the Equality Project Team. The number of female and male managers at middle and senior management level is balanced in REFORM and the department will continue to strive towards a gender-balanced, diverse representation.

²² legislative financial statement of [COM\(2020\) 409 final](#) REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL establishing a Technical Support Instrument

Staff engagement: regular Knowledge Hours and All Staff Meetings and regular staff feedback from all units via the Sounding Board.

3.2. Digital transformation and information management

Flagship digital modernisation initiatives

In terms of **digital transformation**, in 2023 department REFORM finalised its transition to a modern Member State-facing web portal for the submission of the Technical Support requests. This was a key step in the department's digital modernisation plan that aims to renew the IT landscape with reusable digital solutions that are more compliant with the European Commission Digital Strategy.

Digital culture

The department continued its efforts in 2023 on the implementation of its **information and knowledge management** roadmap. Legacy collaboration and internal communication platforms were phased-out in 2023 in favour of a new intranet and knowledge management site that centralises internal processes, their supporting documents and relevant training opportunities.

Seamless digital landscape

The department also completed its **information system portfolio consolidation** exercise by phasing out legacy systems like the Internal Control Monitoring tool in favour of corporate solutions such as CENTRICS. The finalisation of the **digital modernisation** strategy was not completed in 2023 as initially anticipated due to need to focus on completing the consolidation of information systems.

Green, resilient and secure infrastructure

In the third quarter of 2023 department REFORM launched an **information security** risk assessment for its key IT system. The assessment could not be completed by the end of the year, but IT security assets, risks and mitigation measures had already been identified. Within the course of the year, a new secure end-to-end encrypted platform was configured to allow REFORM staff to securely share and work on Sensitive Non-Classified documents.

Data governance

In terms of implementing **data governance principles**, REFORM progressed towards its objective via the creation of a new organisational unit in the department that has a strong focus on performance management; notably on the implementation of data driven governance principles via reliable reports, data sources and indicators.

The **key data assets** that are registered in the Commission's corporate data catalogue were reviewed and quality checks, reports to management and training activities to all relevant newcomers were performed regularly to maintain the information systems and reduce to the

minimum the number of encoding errors. A department-wide data quality exercise was successfully completed in the first quarter, drastically reducing the number of data encoding errors and gaps.

In the area of **data protection**, in 2023 department REFORM continued to raise awareness on protection of personal data among its staff via targeted trainings (for example, trainings for newcomers, trainings on specific issues – preventing and handling data breaches, processing of personal data on a-REP, processing when outsourcing via procurement) with the objective to promote a data protection culture and to reinforce the targets set in the Commission Data Protection Action Plan (C(2018) 7432 final). No complaints from the European Data Protection Supervisor (EDPS) were received, and **no personal data breaches** recorded. Lastly, department REFORM carried out an annual review of processing operations and data protection internal guidances to ensure they are kept up to date and reflect any changes in the processing operations.

3.3. Sound environmental management

In 2023 department REFORM actively promoted the **EMAS corporate campaigns** through its intranet, from the Velomai challenge in May to the World Cleanup Day in September. Staff actively engaged in these initiatives and additionally self-organised a forest-cleaning trip in July.

Department REFORM also participated in the **Building Energy Savings Together (or BEST)**, with the winter closure of its building (MERO) between 26 December 2023 and 5 January 2024.

DG REFORM management discussed EMAS activities, which may be implemented in 2024 depending on available resources, during a management meeting.

3.4. Examples of economy and efficiency

Thanks to the **business process simplification**, the potential of data available in JIRA was explored. As a result of this work, generation of templates and documents for launch of transactions is now embedded in JIRA. This enables automated generation of pre-filled contractual templates, various modes of reporting as well as creation of briefings or country specific factsheets. This in turn facilitates relevant actors' checks, increases certainty of data use (once-only principle), speeds up time of processing of transactional workflows and facilitates the use of the data for communication purposes.