LEGAL & ASSURANCE SERVICES

DECISION

EFSA – European Food Safety Authority	Internal Control Framework of the European Food Safety Authority	**Decision No.:** mb171212-a5
	Effective Date: 1 January 2018	**Supersedes:** EFSA's Internal Control Standards adopted by the EFSA Management Board on 23 January 2008

Approvals	Signature	Name
Originator	Signed	Selomey Yamadjako
Reviewer	Signed	Bernhard Url
Management Board	See Decision	Jaana Husu-Kallio (Chair of the MB)

Introduction	The EFSA Financial Regulation stipulates in Article 44 that the Authorising Officer shall, in accordance with the minimum standards adopted by the Management Board on the basis of equivalent standards laid down by the Commission for its own departments and having due regard to the risks associated with the management environment and the nature of the action financed, put in place the organizational structure and the internal control systems suited to the performance of the duties of authorizing officer. The Internal Control Framework as implemented by the Commission was revised on 19 April 2017. The Internal Control Framework moves away from a purely compliance-based to a principle-based system. The new Internal Control Framework consists of five internal control components and 17 principles.
Description	The Internal Control Framework is designed to provide reasonable assurance regarding the achievement of five objectives set in Article 30 of the EFSA Financial Regulation: (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; (5) adequate management of the risks related to the legality and regularity of the underlying transactions, taking into account the multiannual character of the programmes as well as the nature of the payments concerned.
References	Regulation (EC) No 178/2002, European Commission Revision of the Internal Control Framework C(2017)2373 final EFSA Financial Regulation article 30 & 44
Abbreviations	*See Decision*

Internal Control Framework of the European Food Safety Authority

Whereas,

(i) The EFSA Financial Regulation stipulates in Article 44 that the Authorising Officer shall, in accordance with the minimum standards adopted by the Management Board on the basis of equivalent standards laid down by the Commission for its own departments and having due regard to the risks associated with the management environment and the nature of the action financed, put in place the organizational structure and the internal control systems suited to the performance of the duties of authorizing officer.

(ii) The Internal Control Framework as implemented by the Commission was revised on 19 April 2017. The Internal Control Framework moves away from a purely compliance-based to a principle-based system. The new Internal Control Framework consists of five internal control components and 17 principles.

(iii) The Internal Control Framework is designed to provide reasonable assurance regarding the achievement of five objectives set in Article 30 of the EFSA Financial Regulation: (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; (5) adequate management of the risks related to the legality and regularity of the underlying transactions, taking into account the multiannual character of the programmes as well as the nature of the payments concerned.

(iv) In particular, the Executive Director signs a declaration of assurance in the Annual Activity Report that provides reasonable assurance that the resources assigned to the activities described in the report have been used for their intended purpose and in accordance with the principles of sound financial management, and that the control procedures put in place give the necessary guarantees concerning the legality and regularity of the underlying transactions.

(v) This document on the Revision of EFSA's Internal Control Framework will supersede the provisions on EFSA's Internal Control Standards adopted by the EFSA Management Board on 23 January 2008.

The Management Board

(i) Adopts the internal control components and principles set out in this document; these constitute the minimum standards referred to in Article 44 of the EFSA Financial Regulation.

(ii) Instructs the EFSA's Executive Director to implement the revised Internal Control Framework as from adoption date and to conduct an overall assessment of the presence and functioning of all internal control components at least once a year and for the first time at the latest in the context of the Annual Activity Report 2018.

INTRODUCTION

Internal control applies to all activities, irrespective of whether they are financial or non-financial. It is a process that helps an organisation to achieve its objectives and sustain operational and financial performance, respecting rules and regulations. It supports sound decision making, taking into account risks to the achievement of objectives and reducing them to acceptable levels through cost-effective controls.

The Internal Control Framework of the EFSA is designed to provide reasonable assurance regarding the achievement of five objectives set in Article 30 of the EFSA Financial Regulation: (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 concerned.

This framework supplements the Financial Regulation and other applicable rules and regulations with a view to aligning EFSA's Internal Control Framework to the standards set by the Commission. The latter was revised in April 2017[1]. In order to keep up with these recent changes, it is appropriate to update the 2008 EFSA Internal Control Framework accordingly.

The revised Internal Control Framework moves away from a purely compliance-based to a principle-based system, whereby the necessary flexibility is offered to adapt to specific characteristics and circumstances while ensuring a robust internal control with a consistent assessment throughout the EFSA. This approach aims at helping the organisation to achieve its objectives and sustain operational and financial performance.

The revised Internal Control Framework consists of five internal control components and 17 principles based on the COSO 2013 Internal Control-Integrated Framework.

Components	Principles
I. Control environment	1. Demonstrates commitment to integrity and ethical values 2. Exercises oversight responsibility 3. Establishes structure, authority and responsibility 4. Demonstrates commitment to competence 5. Enforces accountability
II. Risk assessment	6. Specifies suitable objectives 7. Identifies and analyses risk 8. Assesses fraud risk 9. Identifies and analyses significant change
III. Control activities	10. Selects and develops control activities 11. Selects and develops general control over technology 12. Deploys through policies and procedures
IV. Information and communication	13. Uses relevant information 14. Communicates internally 15. Communicates externally
V. Monitoring activities	16. Conducts ongoing and/or separate assessments 17. Assesses and communicates deficiencies

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[1] Communication on the revision of the internal Control Framework – C(2017)2373

The internal control **components** are: the control environment, risk assessment, control activities, information & communication and monitoring activities. They are the building blocks that underpin the framework's structure and support the EFSA in its efforts to achieve its objectives. The five components are interrelated and must be present and effective at all levels of the organisation for internal control over operations to be considered effective.

In order to facilitate the implementation of the internal control framework and management's assessment of whether each component is present and functioning and whether the components function well together, each component consists of several **principles**. Working with these principles helps provide reasonable assurance that the organisation's objectives are met. The principles specify the actions required for internal control to be effective.

The present communication also identifies the characteristics of each principle. These characteristics are defined in such a way as to take into account the specific governance arrangements in the EFSA. There is no requirement for EFSA to assess whether each individual characteristic is in place. The characteristics are defined to assist management in implementing internal control procedures and in assessing whether the principles are present and functioning. Management is expected to have persuasive evidence to support their assessment.

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

I. CONTROL ENVIRONMENT

The control environment is the set of standards of conduct, processes, and structures that provide the basis for carrying out internal control across an organisation. The Management Board and senior management set the tone at the top for the importance of internal control, including expected standards of conduct.

1. EFSA demonstrates a commitment to integrity and ethical values

Tone at the top
The Management Board and all management levels respect integrity and ethical values in their instructions, actions and behaviour.

Standards of conduct
The EFSA's expectations on integrity and ethical values are set out in standards of conduct and understood at all levels of the organisation, as well as by entrusted bodies, outsourced service providers and beneficiaries.

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

2. The Management Board demonstrates independence from management and exercises oversight of the development and performance of internal control

The Management Board oversees the EFSA's governance, risk management and internal control practices and takes overall responsibility for management carried out by the Executive Director. This happens through the use of appropriate working arrangements and communication channels.

The Executive Director oversees the internal control systems within EFSA

The Executive Director oversees the development and performance of internal control. The Executive Director is supported in this task by the BUS Head of Department in charge of risk management and internal control.

In their capacity as Authorising Officer by Delegation, the Executive Director provides a Declaration of Assurance on the appropriate allocation of resources and their use for their intended purpose and in accordance with the principles of sound financial management, as well as on the adequacy of the control procedures in place.

The BUS Head of Department in charge of risk management and internal control plays a key role by coordinating the preparation of the EFSA's Annual Activity Report. In this context, the BUS Head of Department signs a declaration taking responsibility for the completeness and reliability of management reporting. This declaration covers both the state of internal control in the EFSA and the robustness of reporting on operational performance. However, responsibility for achieving operational objectives remains with the relevant department and unit.

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

Management structures are comprehensive
The design and implementation of management and supervision structures cover all policies, programmes and activities. In particular for spending programmes, they cover all management modes, expenditure types, delivery mechanisms and entities in charge of

budget implementation to support the achievement of policy, operational and control objectives.

Authorities and responsibilities
The Management Board and the Executive Director, as appropriate, delegate authority and use appropriate processes and technology to assign responsibility and segregate duties as necessary at the various levels of the EFSA.

Reporting lines
The Executive Director designs and evaluates reporting lines within departments and with entrusted entities to enable the execution of authority, fulfilment of responsibilities, and flow of information.

4. The EFSA demonstrates a commitment to attract, develop, and retain competent individuals in alignment with objectives

Competence framework
EFSA defines the competences necessary to support the achievement of objectives and regularly evaluate them across EFSA, taking action to address shortcomings where necessary.

Professional development
EFSA provides the training and coaching needed to attract, develop, and retain a sufficient number of competent staff.

Mobility
EFSA promotes and plans staff mobility so as to strike the right balance between continuity and renewal.

Succession planning and deputising arrangements for operational activities and financial transactions are in place to ensure continuity of operations.

5. The EFSA holds individuals accountable for their internal control responsibilities in the pursuit of objectives

Enforcing accountability
The EFSA defines clear roles and responsibilities and holds individuals and entrusted entities accountable for the performance of internal control responsibilities across the organisation and for the implementation of corrective action as necessary.

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

Staff promotion
Promotion is decided after consideration of the comparative merits of eligible staff taking into account, in particular, their appraisal reports.

II. RISK ASSESSMENT

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

6. The EFSA specifies objectives with sufficient clarity to enable the identification and assessment of risks relating to objectives

Mission
The EFSA, departments and units have up-to-date mission statements that are aligned across all hierarchical levels, down to the tasks and objectives assigned to individual staff members. Mission statements are aligned with the EFSA's responsibilities under the Founding Regulation and the policy objectives set in the legal base.

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

Objectives are set for the most significant activities
Objectives and indicators cover the EFSA's most significant activities contributing to the delivery of EFSA priorities or other priorities relating to the core business, as well as operational management.

Objectives form the basis for committing resources
Management uses the objectives set as a basis for allocating available resources as needed to achieve policy, operational and financial performance goals.

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

Non-financial reporting objectives
Non-financial reporting provides management with accurate and complete information needed to manage the organisation at Executive Director, department and unit level.

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

Monitoring
Setting objectives and performance indicators make it possible to monitor progress towards their achievement.

7. The EFSA identifies risks to the achievement of its objectives across the organisation and analyses risks as a basis for determining how the risks should be managed

Risk identification
The Executive Director identifies and assesses risks at the various organisational levels (EFSA, department, unit, cross-cutting across EFSA) and those related to entrusted entities, analysing internal and external factors. Management and staff are involved in the process at the appropriate level.

Risk assessment
The Executive Director estimates the significance of the risks identified and determines how to respond to significant risks considering how each one should be managed and

whether to accept, avoid, reduce or share the risk. The intensity of mitigating controls is proportional to the significance of the risk.

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

8. The EFSA considers the potential for fraud in assessing risks to the achievement of objectives

Risk of fraud

The risk identification and assessment procedures (see principle 7) consider possible incentives, pressures, opportunities and attitudes which may lead to any type of fraud, notably fraudulent reporting, loss of assets, disclosure of sensitive information and corruption.

Anti-fraud strategy

The EFSA sets up and implement measures to counter fraud and any illegal activities affecting the financial interests of the EFSA. They do this by putting in place a sound anti-fraud strategy to improve the prevention, detection and conditions for investigating fraud, and to set out reparation and deterrence measures, with proportionate and dissuasive sanctions.

9. The EFSA identifies and assesses changes that could significantly impact the internal control system

Assess changes

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

III. CONTROL ACTIVITIES

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

10. The EFSA selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels

Control activities are performed to mitigate the identified risks and are cost-effective

They are tailored to the specific activities and risks of EFSA and their intensity is proportional to the underlying risks.

Control activities are integrated in a control strategy

The control strategy includes a variety of checks, including supervision arrangements, and where appropriate, should include a balance of approaches to mitigate risks, considering manual and automated controls, and preventive and detective controls.

Segregation of duties

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

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

11. The EFSA selects and develops general control activities over technology to support the achievement of objectives

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

Security of IT systems
EFSA applies appropriate controls to ensure the security of the IT systems of which they are the system owners. They do so in accordance with the IT security governance principles, in particular as regards data protection, professional secrecy, availability, confidentiality and integrity.

12. The EFSA deploys control activities through corporate policies that establish what is expected and in procedures that put policies into action

Appropriate control procedures ensure that objectives are achieved
The control procedures assign responsibility for control activities to the department or individual responsible for the risk in question. The staff member(s) put in charge perform the control activities in a timely manner and with due diligence, taking corrective action where needed. Management periodically reassesses the control procedures to ensure that they remain relevant.

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

The impact assessment and evaluation of expenditure programmes, legislation and other non-spending activities are performed in accordance with the guiding principles of the EFSA's regulations, to assess the performance of EFSA interventions and analyse options and related impacts on new initiatives.

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

13. The EFSA obtains or generates and uses relevant quality information to support the functioning of internal control

Information and document management
EFSA identifies the information required to support the functioning of the internal control system and the achievement of EFSA´s objectives. Information systems process relevant

data, captured from both internal and external sources, to obtain the required and expected quality information, in compliance with applicable security, document management and data protection rules. This information is produced in a timely manner, and is reliable, current, accurate, complete, accessible, protected, verifiable, filed and preserved. It is shared within the organisation in line with prevailing guidelines.

14. The EFSA internally communicates information, including objectives and responsibilities for internal control, necessary to support the functioning of internal control

Internal communication
The EFSA communicates internally about their objectives, challenges, actions taken and results achieved, including but not limited to the objectives and responsibilities of internal control.

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

15. The EFSA communicates with external parties about matters affecting the functioning of internal control

External communication: The EFSA ensures that their external communication is consistent, relevant to the audience being targeted, and cost-effective. The EFSA establishes clear responsibilities to align EFSA communication activities with the EFSA's priorities and narrative of the Authority.

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

V. MONITORING ACTIVITIES

Continuous and specific assessments are used to ascertain whether each of the five components of internal control is present and functioning. Continuous assessments, built into business processes at different levels of the organisation, provide timely information on any deficiencies. Findings are assessed and deficiencies are communicated and corrected in a timely manner, with serious matters reported as appropriate.

16. The EFSA selects, develops, and performs ongoing and/or separate assessments to ascertain whether the components of internal control are present and functioning

Continuous and specific assessments
The EFSA continuously monitors the performance of the internal control system with tools that make it possible to identify internal control deficiencies, register and assess the results of controls, and control deviations and exceptions. In addition, when necessary, the EFSA carries out specific assessments, taking into account changes in the control environment. Ongoing assessments are built into business processes and adjusted to changing conditions.

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

Risk-based and periodical assessments

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

17. The EFSA assesses and communicates internal control deficiencies in a timely manner to those parties responsible for taking corrective action, including senior management and the Management Board, as appropriate

Deficiencies

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

Remedial action

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

Adopted in Parma on 12 December 2017
For EFSA's Management Board

[SIGNED]
Jaana Husu-Kallio
Chair of the Management Board