



Limited distribution

**Agency for the Cooperation of
Energy Regulators
(ACER)**



IAS Strategic Audit Plan 2013 – 2015

Date: 2 May 2012

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1. EXECUTIVE SUMMARY

This document describes the audit strategy established by the Internal Audit Service (IAS) for the period of 2013 – 2015 with regard to the Agency for the Cooperation of Energy Regulators (hereafter called "ACER" or "Agency").

The strategy is based on the results of a risk assessment exercise carried out by the IAS¹ in February 2012, including a 5-day mission to the ACER in Ljubljana.

The exercise consisted of the following principal steps:

- a desk review of the Agency with the objective of getting to know ACER as a new EU Agency and defining the audit universe related to it;
- interviewing on-site key ACER staff in order to obtain an overview of the principal processes – either operational according to the mission of the Agency or administrative to support the operational tasks – and the related key controls;
- assessing the most important risks related to these processes; and
- drafting a strategic audit plan with a short list of future audit topics.

The short list of audit topics aims at supporting the planning of the IAS audits of ACER during the next three years i.e. 2013 – 2015. The topics may be adjusted in the future depending on the results of risk assessment updates, which the IAS performs on an annual basis.

As a rule, the annual audit plans of the IAS are coordinated with the European Court of Auditors, the external auditor of all EU institutions and bodies, in order to avoid duplication and to minimise any overlapping between subjects and areas proposed for audits.

Results of the Risk Assessment

An overview of the ACER audit universe² and the principles that underlie the planning of internal audits in the Commission are presented in the annexes 1 and 2 respectively.

The results of the risk assessment have been summarised by means of a matrix ("ACER Risk Map"). Each of the reviewed processes and sub-processes of the Agency, either administrative or operational, has been positioned in the matrix according to the perceived risk – both inherent risk and residual risk that remains if/when pertinent controls are in place.

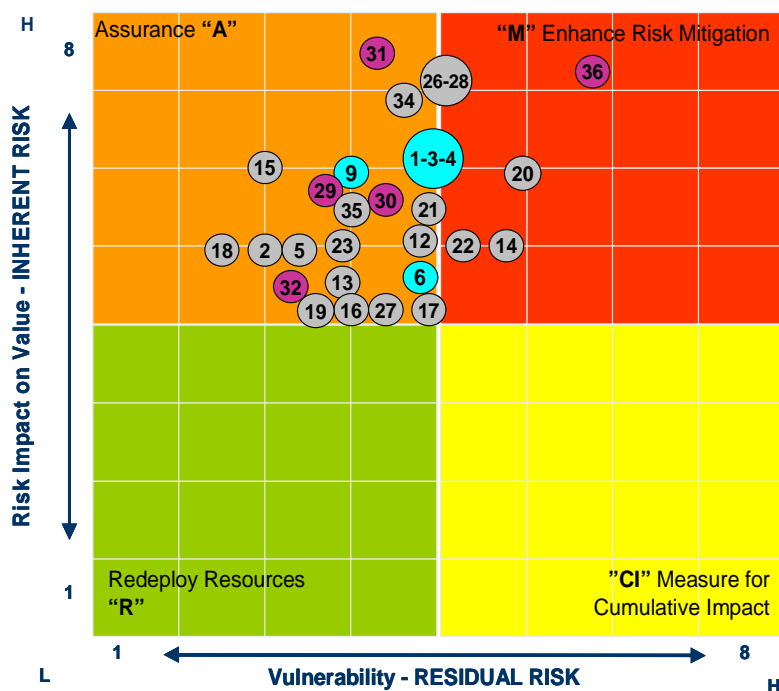
¹ According to Article 185 of the General Financial Regulation, the Commission's internal auditor shall exercise the same powers over bodies set up by the Communities – bodies having legal personalities and receiving grants charged to the budget – as he/she does in respect of Commission departments

² A set of administrative/support processes (normally standard to all EU-agencies) completed with a limited number of operational processes specific for ACER

The objective of the matrix presentation is to visualise the differences between the processes regarding their respective maturity in relation to risks and related controls. A process positioned in the orange zone is perceived to be satisfactorily controlled whereas a process in the red zone still needs to be improved for more effective controls. Ultimately, the processes in the orange zone, either individually or combined with others, will constitute the likely targets for proposals for future audit topics.

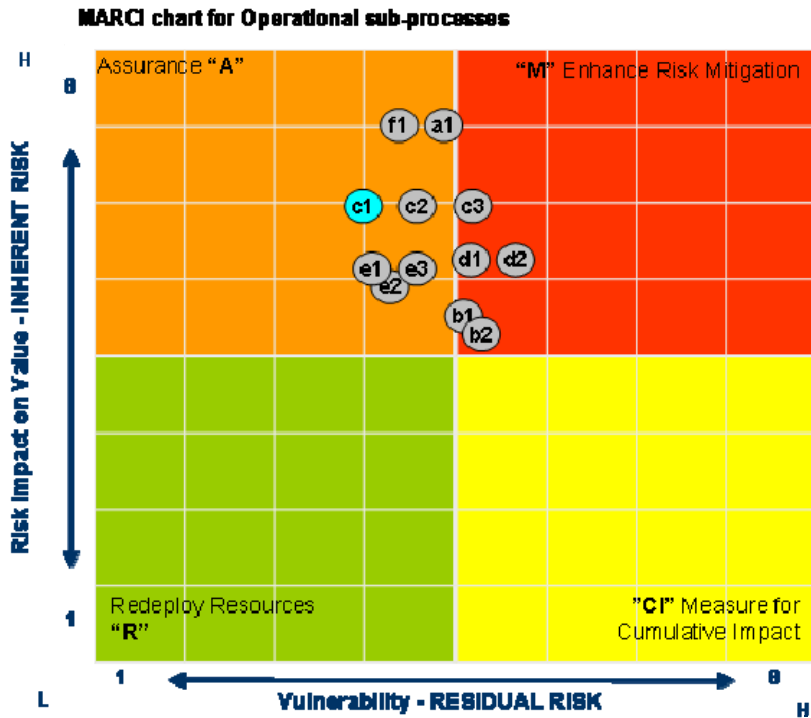
It should be underlined that the Agency became operational in March 2011. Hence, it has not started all its activities. This is particularly the case of certain operational processes (b1, b2; d1, d2 and c3), but also of two administrative processes (14 and 24³).

ACER Risk Map for 2013 – 2015



<i>Support Subprocesses</i>	
1 - Planning	
2 - Risk Management	
3 - Budgeting	
4 - Monitoring of activities	
5 - Reporting/ Building Blocks of Assurance	
6 - Procurement	
9 - Budget execution	
12 - Recruitment	
13 - Training	
14 - Performance appraisal, Career development	
15 - Expert Management/conflict of interest	
16 - Management of Meetings	
17 - Missions	
18 - Data Protection	
19 - Ethics	
20 - Document Management	
21 - Legal advice	
22 - Facility Management, logistics, security	
23 - Business Continuity	
26 - Stakeholder relations Management (EU Institutions, ENTSOs)	
27 - Internal communication	
28 - External communication	
34 - Governance and decision-making	
35 - Fraud prevention	
29 - IT Governance	
30 - IT project management	
31 - IT security	
32 - IT services delivery	
36 - Data management	
<i>Not included in this MARCI chart</i>	
7 - Grant management (<i>Not applicable for ACER</i>)	
8-11 - Accounting & Asset management (<i>covered by the ECA</i>)	
10 - Revenues & Treasury (<i>Not applicable for ACER</i>)	
24 - Impact assessment, Evaluation (<i>not relevant yet for ACER</i>)	
25 - Audit (<i>Not applicable for ACER</i>)	
33 - Quality management (<i>no quality management system in ACER</i>)	

³ 24 – Impact assessment - Evaluation has been excluded from this risk assessment because it is not relevant yet for the Agency. ACER's activities shall be evaluated after three years of operation.



<i>Operational subprocesses</i>	
a1	- Setting up of cooperation tools (Working groups, consultations)
b1	- Coordination of Regional Initiatives
b2	- Development of opinions, recommendations and decisions
c1	- Development of framework guidelines
c2	- Review of, and opinion on, Network codes
c3	- Monitoring of the implementation of network codes
d1	- Development of a methodology and data collection
d2	- Drafting of the annual monitoring report
e1	- Development of regular opinions and recommendations
e2	- Monitoring of ENTSOs' tasks
e3	- Preparedness for the Infrastructure package implementation
f1	- Preparedness for REMIT Implementation

Short list of future audit topics

The following table summarises the prospective topics for the IAS audits of ACER during the coming three years, i.e. 2013 – 2015.

Prospective Audit Topics for 2013 – 2015

	2013	Prospective audit topics 2013 - 2015
Audit	A. Budget execution and procurement	B. IT governance (in the context of preparedness for REMIT) C. Planning, budgeting and monitoring D. Development of framework guidelines and opinion on network codes
Follow-up		<ul style="list-style-type: none"> • All recommendations reported as implemented.
Risk Assessment	<ul style="list-style-type: none"> • Update of Strategic Audit Plan 	<ul style="list-style-type: none"> • Annual update of the Strategic Audit Plan

2. FULL REPORT

2.1. Context and process of the IAS Risk Assessment

The mandate for the IAS assignment regarding the ACER was provided by the pertinent Community legislation⁴, which designates the Internal Auditor of the Commission as the Internal Auditor of the EU decentralised agencies, including the Agency for the Cooperation of Energy Regulators. The mission charter of the IAS in relation to the traditional agencies and independent bodies, signed by both parties in September 2011, describes in more detail the role and responsibilities of the IAS.

In line with the professional standards set by the Institute of Internal Auditors (IIA), the internal auditor "establishes risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals".

This document summarises the IAS audit strategy for the Agency regarding the period 2013 – 2015, including a list of prospective future audit topics.

The strategy is based on the results of a risk assessment, performed by the IAS in February 2012. The assessment consisted of the following principal steps: (1) a desk review aiming at getting to know the Agency and defining its risk universe, (2) a mission on-site to meet the key staff members of the Agency and obtain an overview of the principal processes and related controls, (3) an assessment of the key controls in operations and administrative support, (4) drafting a strategic audit plan with a short list of future audit topics.

The results of the assessment have been summarised in a matrix ("ACER Risk Map for 2013 – 2015") where each of reviewed processes has been placed according to the estimated impact/inherent risk (vertical axis) and vulnerability/residual risk (horizontal axis). The estimation of the residual risk follows consideration of the perceived effectiveness of the controls put in place by the Agency to manage and mitigate the inherent risk.

The areas for future IAS audits – the audit topics for 2013 as well as the prospective audit themes for 2014 and 2015 – were identified in cooperation with the Agency. Appropriate consideration was thereby shown for the relatively recent start-up of the Agency (March 2011), which means that many of the processes and related controls have not yet been fully implemented. Ultimately, the topics may become subject to changes depending on the results of future risk assessment updates as well as possible requests and expectations by the Agency.

The annexes of the document describe briefly the following items:

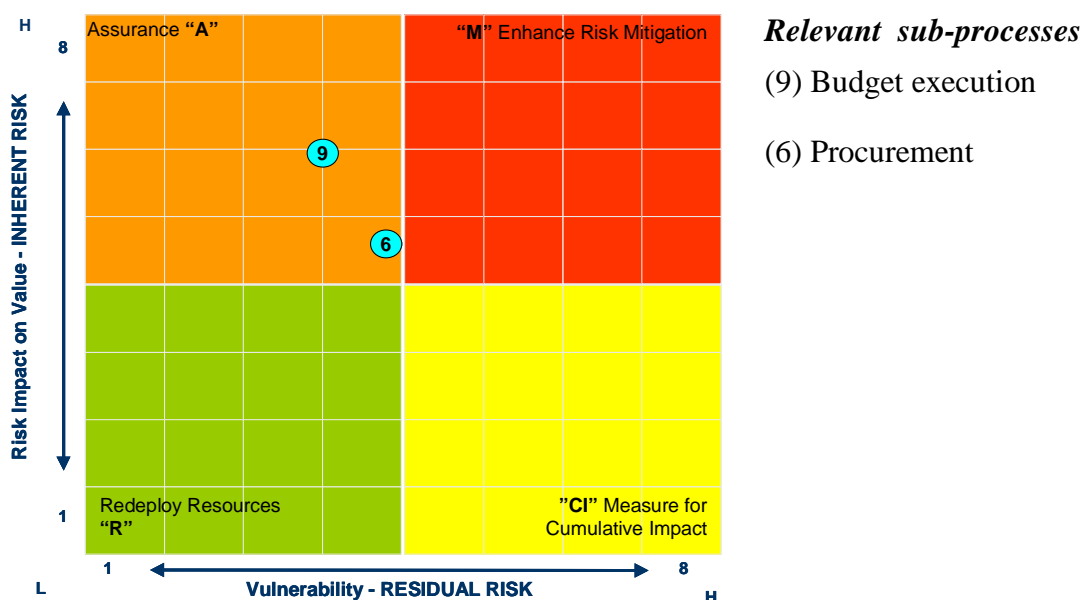
- the ACER audit universe (Annex 1);
- the basic principles of the IAS work planning (Annex 2);
- the underlying objectives and methodology used to define both the "audit universe" and the Risk Assessment (Annex 2).

⁴ Article 185 of General Financial Regulation and article 71 of the Framework Financial Regulation.

2.2. Breakdown of the ACER Risk Map for 2013- 2015

2.2.1. Prospective Audit Topics

Topic A – Budget Execution and Procurement



Inherent risk (IMPACT) of the relevant sub-processes

Any weaknesses in the implementation of ACER's budget may impact the Agency's sound financial management and damage its reputation, indeed:

- Inadequate design of the financial circuits and unclear roles and responsibilities of the actors involved in them may impact the smooth implementation of controls. Hence financial transactions could be more vulnerable to fraud and irregularities, implying financial loss, lack of assurance on transactions and reputational damage for the Agency;
- Controls in the financial circuits may not be proportionate to the risks, which could lead to inefficient use of resources;
- Low execution of the budget may put the Agency under more stringent scrutiny on its future budgeting exercises and could lead to a downward revision of the Agency's contribution by the Budgetary Authority and;
- Incompliance with the Financial Regulation and its Implementing Rules may impact the overall sound financial management in the Agency.

Besides the above-mentioned risks, procurement activities present the following:

- If procurement activities are not covered by a financing decision, specific procurement activities may lack the underlying decision of principle and, in effect, funds or justification for these may be insufficient.
- Insufficient and/or inadequate planning of procurement activities may lead to late launch of procurement procedures, unavailability of funds, and an increased risk of non-compliance with rules and procedures due to time constraints.

Key controls

Since its creation in 2011, the Agency has put in place a series of measures to ensure effective implementation of its budget:

- All financial actors have been formally appointed by the Executive Director and were trained to carry out their duties.
- The Finance team developed guidelines on financial circuits and communicated them to all financial actors. Checklists are used for all payments.
- The Finance team provides for a monthly reporting to the Agency's management on a number of financial indicators, especially budget execution and payment delays.
- Ex post controls are carried out on a sample of 10% of payments. The results of those checks are compiled, analysed and reported to the Agency's management.
- An experienced procurement officer is in charge of following all the Agency's procurement procedures.

Residual risks (VULNERABILITY)

- As ACER is growing, a residual risk could be linked to the newly recruited staff (support or operational) not being aware of the necessary controls in the financial workflows.
- The Agency may miss opportunities to simplify its financial procedures and circuits, and thus save resources.
- The number and complexity of procurement procedures will go increasing, especially in view of preparing the Agency for the implementation of REMIT⁵.

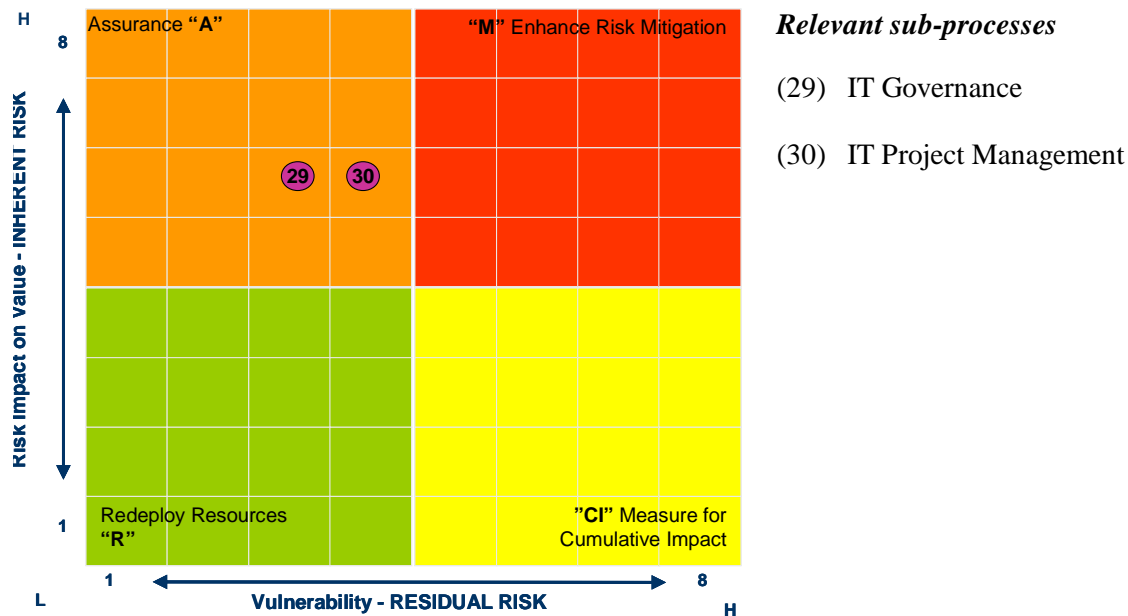
Objective and scope of the audit

The IAS will provide the Executive Director and the Administrative Board with an independent assurance on the adequacy and effectiveness of the internal control system as regards budget execution and procurement, with a particular emphasis on the following aspects:

- Internal procedures and tools implemented for the management of budget execution (especially financial circuits and reports);
- Simplification potentials in financial circuits;
- Preparation and implementation of procurement procedures.

⁵ REMIT – Regulation for Energy Market Integrity and Transparency.

Topic B – IT Governance and IT project management



The organisation is relatively small and is heavily dependent on its internal IT competences. The implementation of the regulation on REMIT will require further IT expertise in the field of IT Project management and especially in the field of IT security, as required by Article 23 of the REMIT regulation⁶.

Inherent risk (IMPACT) of relevant sub-processes

- A lack of IT Strategy that is aligned with the business needs of the Agency entails the risk that Agency's requirements are not understood or addressed by IT management, or that IT is not focused on the right priorities, with the ultimate potential consequence that IT is not able to support the operations.
- If the monitoring mechanisms are not adequate, ACER runs the risks of unnecessary IT initiatives and investments, financial losses and wasted resources.
- Inability to find qualified personnel and maintain the IT competency may have an impact on the one hand on the REMIT project in terms of delays and quality of the deliverables, and on the other hand on the implementation of adequate security measures – i.e. responding to business needs - ultimately leading to security breaches.
- For the time being, the Agency has no complex IT projects. However, due to the complexity of REMIT, the number of IT projects will increase and the importance of the project management will become critical. Not having an adequate project management process in place may cause projects not being under control, and ultimately delayed, not meeting the objectives and scope planned. In consequence, the expectations and business needs may be not addressed adequately.

⁶ "the Agency should ensure the operational security and protection of the data which it receives"

Key controls

- An IT strategic plan covering the next 3 years has been drafted by the IT team. This plan describes the strategic vision and objectives of IT in the Agency and links those with ACER's IT budget.
- Following a decision of the Director, an ICT steering committee (ICTSC) has been set up in January 2012. The decision specifies the objectives, tasks and responsibilities of the ICTSC. It lists the staff members being appointed to the ICTSC.
- The IT team is currently composed of 3 staff members. IT roles and responsibilities are clear to the staff of the Agency. The IT team provides IT assistance to the staff serves IT requests and provides IT training when needed.
- The IT team is using MS Project to track the status of the current projects. IT projects are managed on the basis of ad hoc requests. The document "ICT strategic objectives", attached to the IT strategy, foresees the examination of existing standards like PRINCE2, COBIT, ITIL and PM² in 2012. As result, a standard IT project management framework and change management process will be established in 2013. In 2014, it is already foreseen to fine tune the project management and change management processes, and to continue or complete the related trainings.

Residual risk (VULNERABILITY)

- As the IT Strategy does not take fully into account the requirements/needs of all operational units and main external stakeholders, there is a risk that the strategic IT plan may be not fully aligned with business needs and may not allow to sustain operations with the ultimate consequence of ACER not achieving its objectives.
- The implementation of the new REMIT regulation might create an unbalance between regular IT tasks and IT tasks dedicated to REMIT. The IT team will have to deal with an increased and heavier workload. Insufficient time devoted to the continuous improvement and monitoring of the existing IT function may lead to a decreased quality of IT services and improper documentation of IT rules and policies.
- Given the large number of consultations with external stakeholders involved in the REMIT project, the collection of the requirements can be slowed down or not clearly defined at the beginning of the project. The possible consequences are: a system which is not fully meeting legal requirements and stakeholders' needs, to unplanned changes, or delays and budget overrun. Moreover, those risks are increased by the lack of standardised IT project management methodology in ACER.

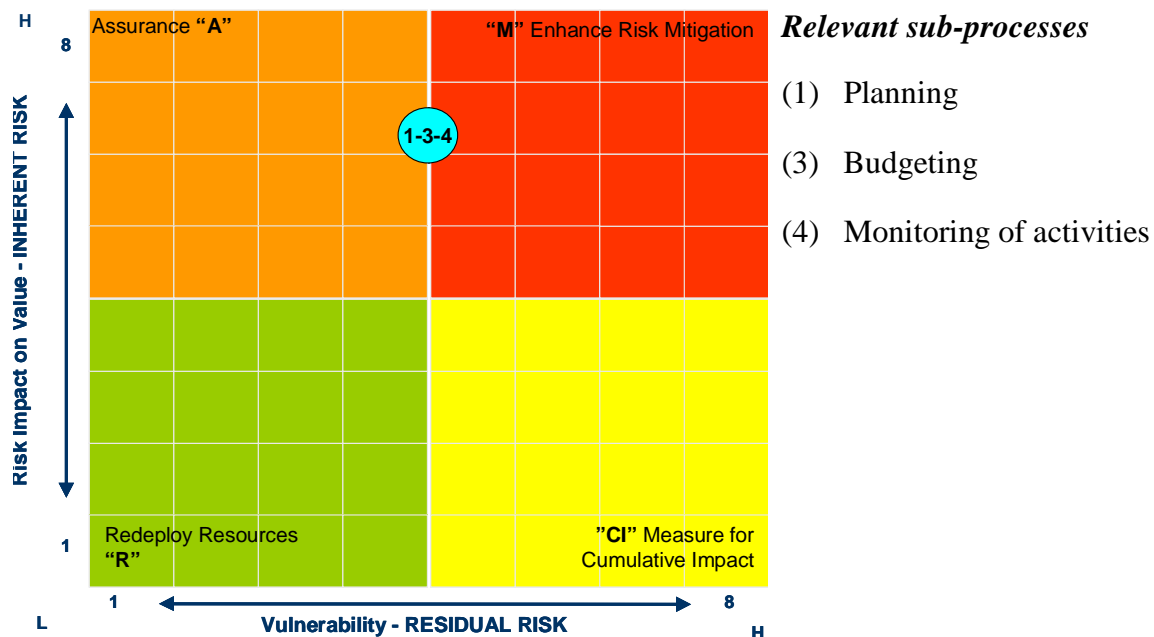
Objective and scope of the audit

- The objective is to make an assessment and to provide an independent assurance on the adequacy and effectiveness of the internal control system as regards the IT governance and IT project management processes in ACER. More specifically, the IAS will aim to ensure the Executive Director and the Administrative Board that those processes are designed and implemented to allow IT projects to be successfully delivered on time, within the initial estimated budget, meeting stakeholders'

requirements and in compliance with regulation and laws.

- The scope will mainly focus on the implementation of information systems that support the operational tasks and activities of the Agency, mainly in relation with the new REMIT regulation.

Topic C – Planning, Budgeting and Monitoring



Inherent risks (IMPACT) of relevant sub-processes

- Internal procedures for the establishment of the Annual Work Programme might not be effective, i.e. they might fail to deliver an accurate overview of the work to be performed – emphasis might be put on the wrong activities, or work might not be adequately prioritised.
- Any gaps in planning, including resource allocation, entails a risk of ineffective use of human and financial resources, missing objectives and targets and difficulties in reporting and performance monitoring.
- Proposal for the next annual budget may represent an extrapolation from the previous year's budget, be understated or overstated, instead of being based on a detailed analysis of the real funding needs for the next year's activities. Therefore, the proposal might be difficult to justify to the Budgetary Authority.
- The absence of tools allowing the management to monitor and follow up activities could jeopardise the achievement of the objectives of the Annual Work Programme and the implementation of the budget.

Key controls

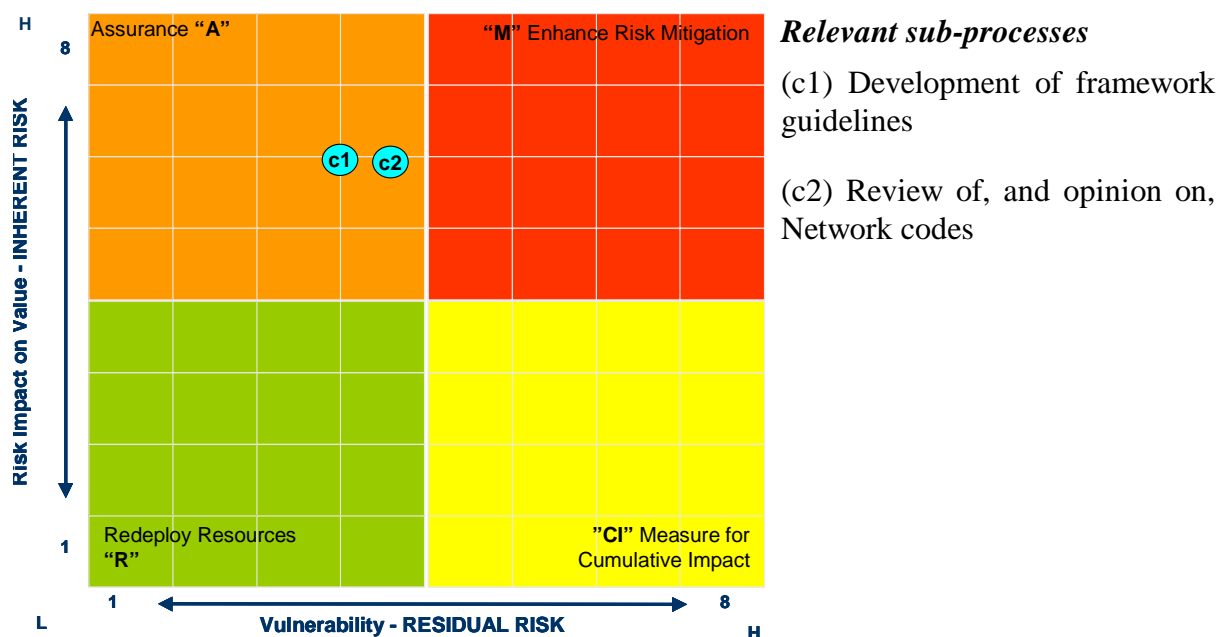
- The process and deadlines for the establishment the Annual work programme and financial planning are coordinated in the Executive directorate office and Administration unit, based on inputs from all units.
- The Agency's main stakeholders are regularly consulted during the preparation of the Annual Work Programme.
- The Agency reports on the implementation of its Annual Work Programme to the

Administrative Board on a frequent basis.

Residual risk (VULNERABILITY)

- Potential gaps in planning, e.g. absence of S.M.A.R.T. objectives, and/or adequate key performance indicators, will have a negative impact on reporting and monitoring, both at management and board level.
- The activity-level objectives might not be consistent with the Agency's strategic objectives. Any gaps in the vertical alignment of objectives, and related indicators, might impair the effective monitoring of operations.
- The Agency has not yet produced an activity-based budget, which implies that the planning of activities at a detailed level may not be effective enough to determine the real needs for resources, particularly as regards the operational expenditure (Title III).

Topic D – Development of framework guidelines and opinion on network codes



The development of framework guidelines and subsequent opinion on network codes are mandated by Regulations (EC) 714/2009 and 715/2009, which set specific milestones for the delivery of both documents.

Inherent risk (IMPACT) of relevant sub-processes

- Insufficient consultation with stakeholders ahead may affect the planning of the Agency's work, and thus its compliance to deliver within set deadlines.
- The actual drafting of guidelines, and subsequently of opinions, may be hampered by unclear rules about the involvement of Working groups (comprised of National Regulatory Authorities) and weak policy on public consultations. The Agency indeed strongly relies on both tools to draft its deliverables.
- Inadequate involvement of Working groups can jeopardise the ability of ACER to deliver work of acceptable quality.
- Weaknesses in the monitoring of milestones, be they regulatory or internal, may impact the achievement of the Agency's objectives, i.e. timely delivery of framework guidelines and opinions on network codes.

Key controls

- The Regulations set clear deadlines for the development of framework guidelines and opinions on network codes. The European Commission, the ENTSOs⁷ and the Agency meet every month in order to plan future deliverables and monitor the progress made on their drafting.
- The Agency drafted a policy for the organisation of Working groups in 2011 and plans to introduce policies on public consultations, public hearings and conferences, access to common web platform, in 2012.

Residual risk (VULNERABILITY)

- The Agency will review the first Network codes in the course of 2012 and will issue its first opinions. Weaknesses in the internal organisation and procedures of the Agency might affect the timely delivery of these opinions.
- Regular communication with NRAs and ENTSOs is crucial to determine the scope of ACER's work and plan ahead the drafting of network codes and of opinions. Any weaknesses in communication could jeopardise the planning and implementation of the Agency's work.

⁷ ENTSO - European Network of Transmission System Operators, for Electricity (ENTSO-E), and for Gas (ENTSO-G)

2.2.2. *Sub-processes considered as high risk areas and requiring further action towards improved controls*

Concerning the sub-processes that have been placed in the red quadrant of the risk map ("Enhance Risk Mitigation"), the Agency needs to improve the existing controls or put in place additional ones.

Consequently, the management of ACER is requested to set up action plans for the processes in the red zone. The objective is to improve the controls in these processes to a level of maturity that will enable the Agency to move them to the orange zone of the risk map ("Assurance"). Only after such a "reclassification" it will be possible to consider these processes as mature for an assurance audit i.e. the IAS auditing the processes and giving an audit opinion on the adequacy and effectiveness of the related controls.

Sub-processes requiring further action towards improved controls

No	Name of sub-process	Action Planned by ACER
1, 3, 4	Planning and Monitoring	<p>The detailed action plan for each of the sub-processes in the red zone is annexed to this Strategic Audit Plan (Annex 3)</p>
14	Performance appraisal, Career development	
20, 36	Document Management and Data management	
22	Facility Mgmt, logistics, security	
26-28	Stakeholder relations & Communication	
d1, d2	Monitoring of the internal market	
b1, b2	NRA cooperation	
c3	Monitoring of the implementation of network codes	

The status of implementation of the above action plans should be reported to the IAS well in advance of the next update of the Strategic Audit Plan, currently planned for late 2013.

2.3. Next steps

As with any IAS report, the IAS Strategic Audit Plan on ACER will be addressed to the Executive Director and the Administrative Board of the Agency.

The Administrative Board needs to endorse the plan, including the short list of prospective audit topics for the next three years.

The objective is that the plan will be regularly reviewed and updated, based on the results of the following principal audit engagements and other exercises to assess and evaluate the Agency and its performance:

- audits conducted by the IAS
- audits performed by the European Court of Auditors
- conclusions of the annual discharge procedure;
- external evaluations of ACER (if any).

The updated audit plan will be submitted to approval by the Executive Director and the Administrative Board.

ANNEX 1 – AUDIT UNIVERSE

The following table gives an overview of the ACER audit universe. The operational processes, specific for the ACER in line with the Agency's principal tasks, are represented by letters whereas the administrative and support processes, following a standard set of processes common for all EU agencies, are indicated through numbers.

<i>Support Processes</i>	<i>Support Subprocesses</i>
Performance management	1 - Planning
	2 - Risk Management
	3 - Budgeting
	4 - Monitoring of activities
	5 - Reporting/ Building Blocks of Assurance
Financial management	6 - Procurement
	7 - Grant management (<i>Not applicable for ACER</i>)
	8 - Accounting (<i>covered by the ECA</i>)
	9 - Budget execution
	10 - Revenues & Treasury (<i>Not applicable for ACER</i>)
HR management	11 - Asset management (<i>covered by the ECA</i>)
	12 - Recruitment
	13 - Training
	14 - Performance appraisal, Career development
	15 - Expert Management/conflict of interest
	16 - Management of Meetings
	17 - Missions
Support activities	18 - Data Protection
	19 - Ethics
	20 - Document Management
	21 - Legal advice
	22 - Facility Management, logistics, security
	23 - Business Continuity
	24 - Impact assessment, Evaluation (<i>not relevant yet for ACER</i>)
	25 - Audit (<i>Not applicable for ACER</i>)
	26 - Stakeholder relations Management (EU Institutions, ENTSOs)
	27 - Internal communication
28 - External communication	
Cross cutting	33 – Quality management (<i>no quality management system in ACER</i>)
	34 - Governance and decision-making
	35 - Fraud prevention
IT	29 - IT Governance
	30 - IT project management
	31 - IT security
	32 - IT services delivery
	36 - Data management

<i>Operational Processes</i>	<i>Operational subprocesses</i>
Stakeholders' management	a1 - Setting up of cooperation tools (Working groups, consultations)
NRA Cooperation	b1 - Coordination of Regional Initiatives
	b2 - Development of opinions, recommendations and decisions
Framework guidelines	c1 - Development of framework guidelines
	c2 - Review of, and opinion on, Network codes
	c3 - Monitoring of the implementation of network codes
Market monitoring	d1 - Development of a methodology and data collection
	d2 - Drafting of the annual monitoring report
TSO Cooperation	e1 - Development of regular opinions and recommendations
	e2 - Monitoring of ENTSOs' tasks
	e3 - Preparedness for the Infrastructure package implementation
REMIT	f1 - Preparedness for REMIT Implementation

ANNEX 2 - BASIC INTERNAL AUDIT PLANNING PRINCIPLES

The audit strategy is based on the Framework Financial Regulation (FFR), the IAS Charter and the standards of the Institute of Internal Auditors (IIA).

The FFR states: *“The internal auditor shall advise the Community Body on dealing with risks, by issuing independent opinions on the quality of management and control systems and by issuing recommendations for improving the conditions of implementation of operations and promoting sound financial management”*⁸.

The IAS Charter state that in order to perform its mission properly, the IAS must act in accordance with generally recognised principles and international standards governing internal audit.

IIA standard 2010 requires that *“The chief audit executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organization’s goals.”* IIA standard 2120.A1 goes on to state: *“The internal audit activity must evaluate risk exposures relating to the organisation’s governance, operations, and information systems regarding:*

- *Reliability and integrity of financial and operational information;*
- *Effectiveness and efficiency of operations'*
- *Safeguarding of assets, and*
- *Compliance with laws, regulations, and contracts.”*

As the European Court of Auditors (ECA) focuses its activities on the first objective mentioned above, the IAS will coordinate its audit activity with this institution to avoid overlapping.

In line with the IIA Professional Framework, the IAS will cover Internal Control, Risk Management and Governance.

Risk based planning methodology - Definition of the audit universe and audit risk assessment.

The IAS's approach to the Strategic Plan contains three steps:

1. Clearly define what constitutes the different auditable systems, processes and units which make up the Undertaking's overall audit universe;
2. Make an assessment of the risks associated to the audit universe;
3. Identify the audit themes flowing from the risks identified and validated with the management.

⁸ Article 72 of Framework Financial Regulation.

The IAS methodology stressed on the 'value-added' of the planned audits when preparing its audit plan. The professional judgement of the auditor plays a critical role in determining where focus should be placed when auditing. In making this determination, the IAS will consider the IMPACT (inherent risk) of a risk if a control breakdown occurs and the VULNERABILITY (residual risk) of the controls. These two dimensions are shown in Figure 1: Framework for Risk Profile (MARCI).

Management's own Risk Assessment is a key element taken into account by auditors in their Risk Assessment. Although the IAS will carry out its own Risk Assessment, the audit approach and focus is influenced by management's assessment of impact of risks and the vulnerability of its core processes. The MARCI methodology used is elaborated below.

Reassurance: When management provide reasonable assurance (Fig. 1: "A" quadrant) that controls to prevent, detect, correct, a risk are both effective and efficient, the role of the Internal Auditor is to provide reassurance that management's reports can be relied upon. When management can only provide "qualified" assurance — meaning that some controls are working while others are not — the Internal Auditor should audit the controls that are deemed to be effective and support improvement in other areas as required.

Enhance risk mitigation: When management is unable to provide any assurance (Fig. 1: "M" quadrant) that controls are either effective or efficient, it should address risks requiring mitigation. In this situation, the added value might be limited if the Internal Auditor work simply confirms the existence of risks already well known by management. However, the Internal Auditor could provide recommendations (consulting services) to help management to develop and design controls to reduce exposure and track progress on remediation plans.

Redeploy Resources: For the processes leading to risk with low impact on value, and low vulnerability, the Internal Auditor could test controls for effectiveness and develop recommendations helping management to improve efficiency (Fig. 1: "R" quadrant).

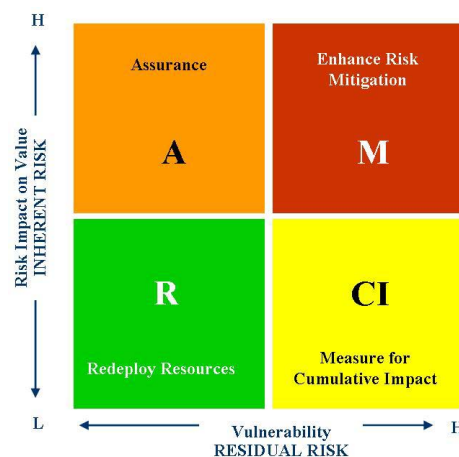
Measure for Cumulative Impact: Finally, in case of low impact on value associated with a high vulnerability, the Internal Auditor could assess cumulative impacts and frequency to determine whether these risks may in aggregation have a more significant impact (Fig. 1: "CI" quadrant).

The definition of the audit universe involved the mapping of standard processes and sub-processes of the Agency, in operations as well as in support functions and administration.

During the risk assessment exercise, the IAS has - for each process and sub-process of the Agency – performed the following steps:

- Determine and validate the **inherent risks** - IMPACT;
- Assess and validate the **expected minimum controls** implemented to mitigate the Inherent risk (IMPACT);

Figure 1: Framework for Risk Profile (MARCI)



- Evaluate – based on interviews at the Undertaking - the level of the **residual risks** (VULNERABILITY).
- **Validate the results** of this evaluation – MARCI assessment – with the Executive Director.

ANNEX 3 – ACTIONS PLANNED BY ACER

No	Name of sub-process
1, 3, 4	Planning and Monitoring
Action Planned by ACER:	
<p data-bbox="225 477 339 510"><i>Planning</i></p> <p data-bbox="225 544 1417 882">Starting from 2012 the Agency’s Work Programme establishment process has been agreed upon at the management level. At the beginning of the year, when the dates of the meetings of the Administrative Board for the year n are confirmed, the Director’s office draws a timeline process of the establishment of the Work Programme for year n+1, including the need for input of different actors or stakeholders. Before the launch of the process a management meeting confirms the timeline, the general structure, and the qualitative and quantitative KPIs and the draft procurement needs. Moreover, a meeting with WG Chairs, representing the NRAs contribution to the Agency’s activities, taking place at the initial drafting phase, provides for their early input regarding the objectives in year n+1. A public workshop to present the draft Work programme, before its submission by the Director, is also organised in late May/early June.</p> <p data-bbox="225 920 1417 1055">In order to support the establishment of the qualitative KPIs on the Agency’s operational objectives, a web-based satisfaction survey of stakeholders will be launched at the end of May beginning of June each year. The results of the survey will then be reported in the annual activity report and fed into the KPIs of the next Work Programme.</p> <p data-bbox="225 1093 1417 1227">Moreover, through the Performance Development Network of the EU Agencies, the Agency will draw on the experience regarding the KPIs, and other planning and monitoring tools from other Agencies, once the inventory of agencies’ experiences and practices is established (planned for August 2012).</p> <p data-bbox="225 1265 1417 1462">The priorities for ACER operational activities regarding the development of framework guidelines and network codes are defined annually by the Commission pursuant to article 6(1) of Regulations (EC) No 714/2009 and (EC) No 715/2009, on the basis of the agreement reached in the Planning Group. The Planning Group brings together senior representative from the Agency, the Commission DG ENER and the ENTSOs, meets several times a year and maintains three-year plans for activities in both the electricity and gas sectors.</p> <p data-bbox="225 1500 1417 1565">The three-year plans are regularly discussed at the Madrid and Florence Fora (for gas and electricity, respectively).</p> <p data-bbox="225 1603 1417 1668">Finally, the CEER also aligns its work programme with the Agency’s work programme, which is important for joint activities, such as the Annual Monitoring Report.</p> <p data-bbox="225 1706 1417 1771">The allocation of resources to the tasks is delegated to the department level and finalised at the management level.</p> <p data-bbox="225 1809 1417 1832">From the Work Programme for 2013, the procurement plan will be a part of the Work Programme.</p> <p data-bbox="225 1870 1417 1980">Within the first few years of its operation the Agency will be able to assess the cost of its activities more accurately and will gradually proceed with the ABB, based on the experience of other EU Agencies.</p>	

Monitoring

Progress in the implementation of the Work Programme is continuously assessed in management meetings, recorded in minutes and presented to the Administrative Board regularly.

Finally, a new position for the Strategy, Coordination and Compliance Advisor at AD8 level is planned in 2012 within the Director's office to assist the Director in developing the strategic planning and reporting system of the Agency, in the identification, development and implementation of methods of performance measurements for the Agency (i.e., KPIs) and in coordinating/monitoring the activities of the departments for the efficient execution of the Work Programme.

The Budget and Finance section is currently working on the design of a budget planning and monitoring tool. Such a tool is at this very moment in Excel format and it will be transposed in-house into a simple and effective software to serve this scope. The plan would be to have it tested and ready to use before the end of 2012, so that it can become fully functional at the beginning of 2013.

No	Name of sub-process
14	Performance appraisal, Career development
Action Planned by ACER:	
<p><i>Scope of the performance appraisal</i></p> <p>The first performance appraisal exercise at the Agency started in January 2012, assessing the period from 1st January 2011 to 31st December 2011. The performance appraisal is conducted according to the implementing rules based on Article 110 of the Staff Regulations, more specifically the Administrative Board Decision n°25/2011 establishing the policy and procedure for the performance appraisal of staff and Administrative Board Decision n°26/2011 concerning the appraisal of the Director of the Agency for the Cooperation of Energy Regulators.</p> <p>The annual performance appraisal exercise is performed electronically with the Annual Performance Appraisal tool. The purpose of the exercise is to assess the work that has been carried out and the results obtained by the jobholder over the reporting period, and on the basis of this appraisal, to encourage the jobholder to develop his potential and consider his career prospects.</p> <p>In 2012, the annual performance appraisal was conducted for all temporary and contract staff and SNEs who worked a minimum of four continuous months in 2011. For staff that worked less than four months during 2011, only objectives and training needs for 2012 were agreed with the Reporting Officer and validated by the Countersigning Officer. In order to familiarise the staff with the new procedure, a seminar on Performance Appraisal was organised and additional information presented in the Performance Appraisal Guidelines and the Performance Appraisal End User Manual.</p> <p>Performance appraisal at ACER is used as a strong tool for motivation and guidance of the jobholder to achieve the needed outputs and contribute to the organisational objectives of the Agency as a whole, Agency's departments and sections. The appraisal exercise is conducted through the following stages:</p> <ul style="list-style-type: none"> - Jobholder's self-assessment - Appraisal meeting with the Reporting Officer 	

- Confirmation of the report by the Reporting Officer
- Validation of the report by the Countersigning Officer
- Transmission of the report to the Jobholder

Appraisal standards and appraisal report

The appraisal reports at ACER have to be consistent and properly substantiated. It is necessary to justify the marks in all subsections by relevant comments to ensure a well-reasoned and clear report and feedback. Particular attention is paid to ensure consistency in the appraisal report – both between the marks in the subsections and the overall assessment, as well as between the overall assessment and the comments.

Evaluation criteria

The Performance Appraisal System at ACER uses three evaluation criteria for the performance appraisal of the Agency staff: **efficiency, ability and conduct**. Each of the evaluation criteria is further defined through the respective appraisal dimensions.

Objective-setting

Objectives relate to individual performance and flow from the organisational objectives of the Agency as a whole, its departments and its sections. Objectives can be task-related and personal. They cover all the function areas in the job description. All set objectives follow the SMART principle (Specific, Measurable, Achievable, Relevant and Time-bound) and are linked to the top-down objective-setting of the departments.

Reclassification of temporary and contract agents

ACER's policy on the reclassification of temporary agents and contract agents is based on the relevant implementing rules, which are yet to be adopted by the Administrative Board (adoption planned for 2012) and which have been submitted to the Commission in the context of the procedure under Article 110 of the Staff Regulations. The first drafts of the relevant implementing rules on the reclassification of temporary agents and contract agents were submitted to the Administrative Board for its consideration in December 2011 and afterwards to DG HR to launch the inter-service consultation and are currently under review by the Commission services.

In general, long-term temporary agents for assistant positions can be reclassified up to the grade of AST11 and administrative positions will, as a rule, be reclassified up to grade AD14 in line with the draft Decision AB establishing the policy and procedure for the reclassification of temporary agents.

No	Name of sub-process
20, 36	Document Management and Data Management
Action Planned by ACER	
<p><i>ACER Record center – Document Management Platform</i></p> <p>The IT Team has already started the requirements analysis - inception phase for the implementation of the document management platform that the Agency will utilise. The information that needs to be stored has already been identified. Three types of records are going to be created - Incoming, Outgoing and Internal Records. Information Entities, like Number, date of receipt, sender, sender address, subject, recipient at ACER etc. have been discussed and will be finalized during the</p>	

elaboration phase.

- Retention periods in years will be identified and finalised depending on the type of records (i.e. incoming / outgoing letters, internal notes, invoices, financial documents / commitments) and on type of Media stored (i.e. paper, electronic document, email). Three different electronic record libraries will be created, which will host the corresponding records. Authorised staff will enter information in the system through Web Browser enabled forms.
- Authorised staff will also decide on the permissions scheme on a per-record basis. Every record will be handled individually in terms of who will be able to review or modify it, or even preview the relative documents bound to it. All physical records will be scanned as pdf. documents, labeled with an automatically assigned number, so that they can be easily recognised, and then they will be uploaded to the document management platform and bound with the corresponding record.

The **inception phase** is expected to be completed by the end of June 2012.

After that, the IT Team will proceed with the **elaboration phase**, so as to mitigate the key risk items identified by requirements analysis.

The **construction phase** of the project will follow, where the primary objective is to build the software system. In this phase, the main focus will be put on the development of components and other features of the system. The elaboration and construction phases are expected to be completed by the middle of July 2012.

The project will be completed with the **transition phase**, where the primary objective is to 'transit' the system from development into production, making it available to and understood by the end user. The activities of this phase include training the end users and maintainers and beta testing the system to validate it against the end users' expectations. The product will also be checked against the quality level set in the Inception phase.

If all objectives are met, the Product Release Milestone will have been reached and the development cycle will be finished. The estimated timeline for completion of this phase is end of July 2012.

No	Name of sub-process
21	Legal advice
Action Planned by ACER:	
<p><i>Clarification of functions</i></p> <p>The Legal Advisor and the Legal Assistant at the Agency are attached to the Director Office. The role of the Legal Advisor is to provide legal advice to the various departments of the Agency and to the Director. The Legal Advisor carries out these tasks with the assistance of the Legal Assistant.</p> <p>In order to ensure the legality of the acts of the Agency, these are submitted to the Legal Advisor for his opinion prior to their adoption. In particular, the Legal Advisor provides his opinion on:</p> <ul style="list-style-type: none"> - draft documents related to public procurement procedures launched by the Agency 	

- draft Rules of Procedures of the various bodies, committees and working groups of the Agency;
- draft policy papers concerning for instance internal procedures of the Agency, the Agency views on certain matters or the way in which the Agency conducts public consultations;
- draft opinions, recommendations and decisions to be adopted by the Agency;
- draft framework guidelines.

The Director is currently preparing instructions to the various departments of the Agency specifying in which cases and at which point in time the Legal Advisor shall be consulted.

Furthermore, whenever a legal issue arises as regards the development and / or implementation of a policy of the Agency, such questions are addressed to the Legal Advisor for his opinion. Such questions concern all areas of activity of the Agency, e.g. EU law in general, EU public procurement law, EU data protection law, law of the internal market, in particular as regards the energy sector.

Notwithstanding the above, the Legal Advisor works in close cooperation with Legal NRA Cooperation of the Electricity and Gas Departments as regards regulatory issues. The role and the tasks of the Legal NRA Cooperation Officers are, however, distinct from those of the Legal Advisor.

The Legal NRA Cooperation Officers supervise the work of their respective departments in the area of NRA-cooperation. Furthermore, they are directly involved in the development of all documents drafted by the Electricity and Gas Departments, notably:

- all the acts provided for in Article 7 of Regulation 713/2009 (concerning the Agency's tasks as regards national regulatory authorities);
- all the acts provided for in Article 6 of Regulation 713/2009 (concerning the Agency's tasks as regards the cooperation of transmission system operators) as well as any recommendation and opinion related to the development of Framework Guidelines and Network Codes;
- individual decisions of the Agency addressed to electricity and gas undertakings;
- official correspondence with Member States, the EU institutions, international organisations and private companies concerning the activities of the electricity and gas departments.

Legal NRA Cooperation Officers work side by side with the technical experts in the respective departments, and take part in their day-to-day work. This means that they are involved in the drafting of the above-mentioned documents and attend the meetings in which issues related to those documents are discussed. Their role is to ensure the legal quality of drafting of the documents mentioned above and to intervene at an early stage to ensure that such documents comply with the applicable legislation.

Given the complexity of the regulatory issues dealt with by the Agency, the Legal Advisor and the Legal Assistant also follow the development of the regulatory policy of the Agency, for instance by attending on a regular basis the meetings of the Electricity and Gas Departments in which those matters are discussed. However, they are not involved in the drafting of such documents, nor do they participate in all the meetings with NRAs and stakeholders on regulatory issues. Furthermore, the Legal NRA Cooperation Officers consult the Legal Advisor on important legal issues that arise in this context and inform the Legal Advisor of their views thereof.

As for any other official document of the Agency, the final legal check of any draft document prepared by the Electricity and Gas Departments is performed by the Legal Advisor. In the same vein, the final opinion on the legal issues raised by the Electricity and Gas Department is given to the Heads of Departments and / or to the Director by the Legal Advisor. This process ensures consistency between the acts prepared by the Electricity and Gas Departments and the policies they develop.

Finally, a Legal Advisory Team (LAT) has been recently established to support and providing extra assurance to the Legal Advisor and the Legal Assistant in addressing specific legal issues. The LAT

is composed of individual experts made available by National Regulatory Authorities. In their role as LAT members, they act in their personal expert capacity and they do not represent their institutions.

No	Name of sub-process
22	Facility Mgmt, Logistics, Security
Action Planned by ACER	
<p>The Agency prepared a detailed schedule of activities related to the building project, setting deadlines for each step of the procedure which should give the Agency some manoeuvring room in terms of timing. The plan is to finalise the procurement procedure, including the negotiations, and submit the building files to the relevant services of the Commission as well as the Budgetary Authorities by the middle of July 2012.</p> <p>The Agency launched the market survey in February 2012. On the basis of the results of the market survey the Agency, following a negotiated procedure, invited six premises' owners/operators to submit their offers. The deadline for the offers is 25/05/2012. The evaluation of offers is planned for the period from 29/05/2012 until 08/06/2012. This will be followed by negotiations which should be concluded within a period of three 3 weeks. On the basis of the outcome of the negotiation, the Agency plans to finalise the building files and first submit it to DG BUDG and DG ENER for comments. There are additional 2 weeks planned for potential bilateral meetings with DG BUDG and if applicable, incorporation of comments in the files prior to its submission to the Budgetary Authorities.</p> <p>According to the schedule of activities the Agency expects to receive final decisions from the Budgetary Authorities by the middle of October 2012 at the latest. This would give the Agency at least three months to have the selected and confirmed premises fitted-out and to plan and implement the move to the new location. The bidders will need to indicate in their offer the schedule for potential fitting-out of premises according to the Agency's needs. Any back-logs in the implementation of the project will therefore be recorded well in time and thus allow for corrective measures.</p> <p>The Agency will start preparing the procurement file for the move of the Agency in July 2012. Due to the complexity of the move, related also to the move of all IT infrastructure, sufficient time for the preparation of technical specifications was taken into account. The file should be ready late September 2012. As soon as the Agency receives the final decisions from the Budgetary Authorities on the building file, the procedure will be launched. In this respect the Agency expects to have the procurement procedure concluded and contract in place by the middle of January 2013 at the latest; in time to organise the move in the last week of January 2013.</p> <p>The existing lease contract, concluded between the Slovenian Government and the lessor, expires on 31/01/2013. The contract has a provision according to which it may be extended, with a notification of 3 months prior to the expiry. Within this time the Agency will already have the information or at least an indication on the progress of the approval of the building file. In case there would be issues in the approval or if more time would be needed for potential fitting-out of new premises, the Agency has an option to extend the existing lease contract.</p> <p>Due to the increased number of staff at the Agency, according to the MSPP, the Agency is already looking at different alternatives for renting additional office spaces within the existing building. Additional number of staff was not foreseen at the time when the Agency was established and moved to Ljubljana, and therefore the Agency does not have sufficient office space already available at this stage. The Agency is considering interim solutions, before the move to the new premises,</p>	

which will enable to accommodate additional staff. These interim solutions will take into account potential prolongation of lease at the existing premises which might go beyond February 2013 in order for the Agency to be able to accommodate its staff even in case any serious delays with the building file occur.

No	Name of sub-process
26-28	Stakeholder relations & Communication
Action Planned by ACER	
<p>ACER working groups are not considered as ‘stakeholders’. They are constituencies of ACER. NRAs are also not considered as ‘external communication targets’ and communication actions to be done towards NRAs fall under NRAs coordination.</p> <p><i>Stakeholders relations</i></p> <p>A draft paper on the ACER public consultations guidelines has been submitted to the newly created ACER Implementation, Monitoring and Procedures Working Group that shall work on it and submit a text to the Director. The text after it is adopted by the Director will be made available to stakeholders on the website. The text will explain how ACER will carry out its public consultations of stakeholders.</p> <p>Two new ad hoc expert groups have been created to assist the Agency in the implementation of REMIT. They complement other expert groups which were set up to assist in the drafting of Framework Guidelines.</p> <p>The definition of a general strategy in order to maintain stakeholders informed and engaged is to be included in the final draft of ACER internal and external Communication Strategy to be submitted to the management team of the Agency by the end of May 2012.</p> <p>ACER will launch in June 2012 its new website with new functionalities for stakeholders.</p> <p>Starting in 2013, a web-based satisfaction survey of stakeholders will be launched at the end of May beginning of June. The Stakeholders relations chapter of the communication strategy will be revised according to the results of the survey.</p> <p><i>Communications</i></p> <p>The final draft of the internal and external Communication Strategy will be submitted to the management team of the Agency before the end of May 2012. It will clearly list ACER target audiences, ACER key messages and communication channels. From there, an annual communication plan will be drawn and added as an Annex to the Communication Strategy. Each internal and communication action will include key performance indicators for their evaluation.</p>	

No	Name of sub-process
d1, d2	Monitoring of the internal market
Action Planned by ACER	

As regards ACER's access to EMOS data and methodology, ACER is making good progress in this respect. After the workshop on network access and wholesale cross-border monitoring activities (18-19 April 2012), ACER will have a meeting with data providers Platts in Brussels to discuss access, in conjunction with Unit A1 of DG ENER.

As regards access to other data sources for market monitoring, ACER already holds ENTSO-E and ENSTO-G capacity data, and full access has been granted to the Agency by CEER to the CEER/URB database. ACER will have access, from May 2012, to Eurostat retail price and consumption data for electricity and, to a limited extent, gas. ACER will also cooperate with CEER on access to other retail price and consumer protection sources, currently available from individual European regulators. Furthermore, ACER will work together with CEER, towards the end of 2012, on the inclusion of new indicators in the CEER Database, so as to make extra information available over the coming years.

As regards the drafting of the joint ACER/CEER market monitoring report (Article 11): the drafting of the report has not started yet, because ACER and CEER are still collecting market monitoring data for the year 2011. The introduction and narrative sections of the report will, however, start to be drafted from the end of April 2012.

Finally, as regards the possible overlaps with the EC Staff WP on energy markets in the EU and annexed case studies, due to be published in October 2012, these possible overlaps have been assessed and agreed on at management level. Further, coordination is taking place continuously between DG ENER's (B2, A1) and ACER's monitoring teams, and at management level including the Director of ACER and the Head of Unit at DG ENER/B2.

No	Name of sub-process
b1, b2	NRA cooperation
Action Planned by ACER	
<p>The NRA Cooperation units of the Electricity and Gas departments consist of one Cooperation Legal Officer and one Cooperation Officer respectively, and are fully developed at the moment.</p> <p>In principal, there are three main areas in which these units are active:</p> <p>First, the NRA Cooperation units deal with the national energy regulators (NRAs). This involves advising of NRAs on regulatory issues and monitoring of NRAs in the fields specified in Article 7 of Regulation (EC) No 713/2009, but also coordinating the Regional Initiatives process. Further, the NRA Cooperation units provide support for the representation at the ACER Electricity and Gas Working Groups, while being present and active at a working level, e.g. in various Task Force meetings.</p> <p>Second, the NRA Cooperation Units are responsible for preparing decisions on terms and conditions for access to and operational security of cross-border infrastructure, on exemptions of new interconnectors from regulatory regime, and on technical issues as provided for in the Third Package legislation, as well as opinions on decisions of NRAs on certification.</p> <p>Third, the NRA Cooperation units provide legal and technical support to the Framework Guidelines/Network Code, TSO Cooperation and Market Monitoring units of the Agency, but also to the Director's office.</p> <p>For all these aspects, to ensure legal consistency of the Agency's output, the NRA Cooperation</p>	

Legal Officers coordinate their work with each other as well as with the Agency's Legal Advisor unit.

Thus, NRA Cooperation provides a framework for the cooperation of the energy regulators as well as an overarching link between all areas of the Agency's work, bringing together legal and technical expertise.

No	Name of sub-process
c3	Monitoring of the implementation of network codes
Action Planned by ACER	
<p>Facts and expectations related to the process of implementation of network codes (NCs):</p> <ol style="list-style-type: none"> 1. The first NCs are becoming ready for ACER review (the first one was received by ACER in March 2012 and another one will follow shortly, all the rest are still under preparation. 2. The NCs have to pass the comitology procedure before they become binding. In order to achieve the 2014 target they may be implemented earlier before being formally adopted. However, it is expected that there will not be many NCs subject to implementation monitoring in 2013. Their number and herewith this activity will strongly increase in 2014. 3. The procedure on how ACER will undertake the monitoring activities is specified in a paper called 'Network Codes implementation monitoring, A concept paper'. It lists the principles ACER will follow in the monitoring process, it shows the methods and procedures and other characteristics of this process. Among others, this procedure shows a strong involvement and cooperation with ENTSOs and NRAs. 4. The timetable for this paper is as follows: the draft has been communicated to the ACER IMP Working Group on the 3 April 2012, the first discussion took place at this WG meeting on 11 April 2012. The proposed amendments to this paper are expected to be received by ACER shortly, after which the second discussion at the WG level is expected on the 29 May 2012. The paper will then be finally discussed by the Board of regulators and finally adopted by the Director. 5. The process is planned to be manageable and to lead to results, the main one being a NCs implementation monitoring report. 	