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Synthesis of Annual Activity Reports 2002 of DGs and Services

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1. INTRODUCTION

In May 2002 the Directors-General and Heads of Service produced their first Annual Activity Reports (hereinafter called Annual Reports), to cover the year 2001. The Commission then adopted the first Synthesis of the Annual Reports in July and transmitted it to the other institutions. This first exercise confirmed the Commission's increased focus on management responsibility, accountability and transparency.

The purpose of the Synthesis is to enable the Commission to:

- take note of the main policy results achieved by the Commission's services focusing on the delivery of the Annual Policy Strategy for 2002;
- take stock of the situation of its Directorates-General (hereinafter called DGs) and services;
- monitor progress and identify issues requiring corrective actions;
- report to the other institutions on the above.

For this, it has at its disposal in particular the services' Annual Reports, plus the reports of the Audit Progress Committee, the Internal Auditor, and the European Court of Auditors. It also assesses the state of implementation of the Reform, and the follow-up to the previous Synthesis.

Overall, examination of the performance of the Commission's DGs and services in 2002 shows good progress, although improvement needs to continue on a number of issues:

- The annual report process, which started last year, and was affected by a number of methodological problems, has improved and is on the way to becoming stabilised.
- Assessment of the overview from the DGs and services shows good progress in the implementation of the Reform as well as improvements regarding issues identified in last year's Synthesis. However, a number of teething problems need to be addressed, and a better anchoring of the new working methods put in place.
- The issues requiring corrective actions have been actively addressed and results are beginning to have their effects in many cases, although other issues require in-depth work which will take more time.

2. OVERVIEW OF MAIN POLICY RESULTS PRESENTED BY SERVICES IN 2002

This section provides a short summary of the attainment of objectives by Directorates-General and services focusing on the delivery of the Annual Policy Strategy for 2002.

The year began with the introduction of euro notes and coins in 12 Member States and ended with the decision of the Copenhagen European Council to

admit 10 new Member States to the European Union. It was a year of significant landmarks between these two historic turning points, made of continuing progress and achievements in many Community policies.

For 2002, the following objectives were set in the Commission's Annual Policy Strategy:

- Externally, stability, peace and prosperity were key objectives. Therefore, progress towards integration was to be accompanied by a coherent and global policy of building relations with neighbouring countries and regions and responding to the challenges of globalisation. **Enlargement** went hand in hand with a supportive policy in favour of the **Mediterranean region**. In addition, a reinforced **development co-operation** policy was focused on reducing poverty in the developing world.
- Internally, the Commission defined as key objectives the promotion of **safety and security** of European citizens and economic integration. The introduction of the **single currency**, the promotion of **sustainable development** (which also has an internal dimension) and a new **governance** approach were identified as essential contributions to realise a **qualitative leap towards economic, social and political integration**.

A. Enlargement

- Completing a process launched nine years earlier in the same city, the Copenhagen European Council on 12 and 13 December concluded the negotiations with 10 candidate countries (Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia) paving the way for the single greatest enlargement in the history of the European Union.
- The success in December was the culmination of intense negotiations, coupled with preparations for the accession of the candidate countries, which continued throughout the year and built on the efforts and achievements of previous years. A turning point came at the end of October following publication of the Commission's reports on the progress of each candidate country towards accession. These formed the basis for a decision by the Council and then the European Council, meeting in Brussels, to complete the negotiations with the 10 countries selected from the 13 applicants for EU membership to form the first wave.

B. Mediterranean neighbourhood

- The **Barcelona process** received new impetus: the Commission made concrete proposals on the creation of a functioning Euro-Med internal market, the reinforcement of co-operation in the field of justice and home affairs and the establishment of a Euro-Mediterranean Foundation to promote inter-cultural dialogue and environmental co-operation. The Barcelona European Council agreed to the creation of a Euro-Med investment facility in the EIB to stimulate private investment in the region.

- The support for the stabilisation and association process under way in the western Balkans was important not only in terms of the financial aid provided in 2002 but also, and more particularly, because of the Community contribution to the progressive alignment of the legal and economic systems of these countries with those of the European Union.

C. Development co-operation

- The Union's **contribution to the fight against poverty in the world** focused in 2002 on education and health, for which the Commission proposed new thematic and sectoral frameworks, in particular in the fight against HIV/AIDS.
- The Commission's contributions to the Monterrey conference led to the agreement by the Barcelona European Council to increase the contribution to development co-operation up to 0.39% of the Member States GNP by 2006.
- The European Union strove to implement the agenda agreed in Doha (Qatar) in 2001 for a new round of multilateral trade negotiations under the World Trade Organisation, in which was reflected the importance the European Union attaches to promoting better integration of developing countries in the world economy and international trade.

D. Safety and security

- Following international events, the Commission recognised the need to focus on the security of European citizens. The Commission made a series of concrete proposals and measures to deliver the **Tampere agenda** for the establishment of a European area of freedom, security and justice. EUROJUST was formally established and the European arrest warrant and Framework decision on terrorism were adopted. These constitute important achievements for co-operation and mutual recognition in criminal law matters.
- On proposal from the Commission, the Council adopted action plans to promote an integrated system of external border management and to tackle **illegal immigration**.
- Further steps towards the common **European immigration and asylum policies** were taken e.g. through a proposal on admission of third countries nationals for certain purposes and the creation of an Immigration and Asylum Committee.
- The progress made in 2002 towards solving the problems posed by the situation of the Russian enclave of Kaliningrad vis-à-vis future EU Member States is also an important step forward towards increased security and stability.
- Several proposals have also been tabled to enhance safety and security in transport, energy supply (including nuclear safety) and health. In this respect, the availability of staff with the necessary expertise in very

specific areas will require special attention (see action “Human resources” under point 5.3.1.).

E. Single market and introduction of the euro

- The **euro notes and coins** were successfully introduced in 12 Member States. Based on the undertaking to conduct sound macroeconomic policies, the euro contributes to growth, competitiveness and employment. However, the introduction of the euro also highlights further changes that are still needed for Europe to gain the full benefits of the single market. Given the success of the physical introduction of the euro, economic and monetary union undoubtedly qualifies as one of the significant landmarks in European integration, ranking alongside such earlier achievements as the customs union of 1968 and the single market of 1992.
- The Commission continued to contribute to the Lisbon agenda, in particular in the area of policy co-ordination in the medium and long term. Solid achievements were recorded in several areas, such as the Community health and safety at work strategy, the Commission's commitment to lifelong learning, the liberalisation of the markets in services and the energy market, and the reform of the regulatory framework for telecommunications. Legislation on integrating rail markets was also tabled.
- Following the call by the Barcelona European Council for the launch of the Galileo programme for satellite radio-navigation, the Council adopted a regulation setting up the Galileo joint undertaking.
- The 6th Framework programmes for research were adopted and launched and a debate was initiated on the means to achieve the 3% target for research investments in Europe, consolidating the European Research Area.
- eLearning and Erasmus Mundus programmes were proposed and a policy framework for the development of the Information Society (eEurope) was set up to promote Europe's move to a knowledge-based society.

F. Sustainable development

- The Commission worked in 2002 on making concrete the principles agreed in the EU Sustainable Development Strategy with the introduction of the environmental dimension in the Lisbon process aiming at striking the "right" balance between economic competitiveness, social inclusion and environmental protection. The Commission also played a major role at the World summit in Johannesburg, facing hesitations and fighting for concrete commitments.
- The sixth environmental action programme, which was also adopted in 2002, established a new framework for Community policy in this area for the years to come.

- With the aim to consolidate prosperity and welfare of the European citizens without putting at risk the quality of life of future generations, the Commission actively worked for the extension of the open method of co-ordination to the area of pensions.
- 2002 saw the effective creation of the European Food Safety Authority, the adoption of the new Consumer Policy Strategy for 2002-2006 and the adoption by the European Parliament and the Council of the new Public Health Programme covering the years 2003 to 2008.
- In July, the Commission presented a proposal for the mid-term review of the common agricultural policy, where it outlined ideas for improving the common market organisations, introducing simpler and more sustainable direct support for producers and consolidating and strengthening the rural development aspect (the second pillar). 2002 also saw the adoption of the reform of the Common Fisheries policy, with proposals aimed at ensuring the sustainable development of the sector both environmentally and economically.

G. Governance

- Following the adoption of a White Paper on **European governance** in July 2001, the Commission adopted an **action plan on “better regulation”** (June 2002), a communication on **impact assessment** and a consultative document on consultation of interested parties by the Commission. The Commission adopted a second package in December 2002 that covered better regulation, including proposals on comitology, agencies, tripartite contracts, infringements, use of expertise and minimum standards for public consultations.
- The Commission pursued its unparalleled reform of staff policy, and presented a proposal to the other Institutions to modernise the Staff Regulations.
- The Commission adopted detailed implementing rules for the application of the new Financial Regulation approved by Council in June. This major reform of the financial rules governing the EU's activities entirely recast the Financial Regulation that had originally been adopted in 1977, and amended on many occasions since then.
- The Commission also presented its vision of the future European project in **two contributions to the Convention**. The communication presented by the Commission to the convention on 4 December suggested various changes to the EU's institutional system and a simplification of the decision-making process without upsetting the balance between the Parliament, the Council and the Commission. It also advocated reinforcing the common foreign and security policy by creating the post of Secretary of the European Union, to be held by a member of the Commission who would be accountable to the Council. Finally, the Commission pleaded for these proposals to be incorporated in a constitutional treaty that would also contain the charter of fundamental rights of the European Union proclaimed in December 2000

In conclusion, the Commission considers the balance sheet of year 2002 achievements to be positive, with special reference to the successful completion of the enlargement negotiations, the introduction of Euro notes and coins in all Member States of the Eurozone

It is nevertheless conscious of the challenges ahead such as, on the enlargement front, the need to implement the Community acquis fully from the day of accession, and i.a. of the efforts still required to go beyond the limited results of the Johannesburg summit on sustainable development.

As regards budgetary aspects, €97 billion Euro were committed in 2002 from total authorized appropriations of €99 billion. Payments made amounted to €83 billion from total budgetary appropriations of €96 billion. The number of accounting documents registered in order to account for this budgetary execution amounts to 526,000. This includes about 90,000 recovery orders, over 36,000 commitments and almost 400,000 payment requests.

3. OVERVIEW OF THE SERVICES' MANAGEMENT AND CONTROLS IN 2002

Progress was made for management issues but improvements are still necessary in certain areas of internal controls.

Considerable progress had been achieved by the end of 2002 in the management systems of the Commission, in terms of establishment and delivery of the tools and processes. Progress was also achieved or reduction of the backlog with particular focus on the commitments remaining to be settled¹. This progress was possible only as a result of significant efforts by all services concerned. However, it has to be stressed that many reform-related instruments outlined below only started being implemented in 2003. Assessment of the real-life experience will be a crucial test of their effectiveness, and of the depth of the changes required in the working methods (3.1).

As regards internal control systems described more in detail in section 3.2, although advancements were made in implementing the underlying standards, the analysis shows a need for better anchoring in the Commission's services: through a combination of various measures – in particular a review of staff and training needs, accelerated implementation of internal control baseline requirements, and completion of the complete cycle of in-depth audits – DGs and services should be able to focus on the effectiveness of implementation of the control objectives (3.2).

Finally, a number of issues which require consideration have been identified in audits conducted by the European Court of Auditors and the Internal Audit Service. Moreover, the recommendations of the Audit Progress Committee are considered (3.3).

¹ In French: Reste à liquider or RAL.

3.1. Management issues: outline of the main achievements

Regarding Human resources:

- In 2002, the Commission has put forward a proposal to the other Institutions to modernise the Staff Regulations applicable to officials and other staff employed by the European institutions. On this basis, political agreement with Council on the proposal was reached on 19 May 2003.
- Job descriptions for all staff were defined and an integrated appraisal and promotion system was set up to be used from 2003 onwards.
- Clear guidelines on structured mobility were defined introducing the principle of regular but voluntary mobility of staff.
- A central Career Guidance function was created to advice staff in their career development.
- New training guidelines and a strategic training framework were adopted and contain measures to align staff training more closely with the Commission's strategic goals and values.
- A European Personnel Selection Office was set up in 2002, which provided assistance in the selection of a first group of auxiliary agents from the new Member States.
- Procedural rules for administrative inquiries and disciplinary proceedings were adopted, an Investigation and Disciplinary Office of the Commission (IDOC) was set up in 2002, and a decision establishing clear rules for reporting wrongdoings was also adopted.
- The first phase of a scheme of special measures to terminate the service of officials of the European Communities was adopted.

Regarding financial management:

- The new Financial Regulation and its implementing rules were adopted last year and entered into force in January 2003. A special effort has also been made in designing and implementing provisions in the domain of recoveries of funds unduly paid.
- All services conducted a detailed Readiness Assessment aimed at assessing to which extent they were ready for implementing the requirements of the new Financial Regulation in their daily procedures. In line with the new Financial Regulation, the design of financial circuits concerning ex-ante verification of operations and appropriate segregation of duties was finalised. New or modified types of commitments and payments were put in place.
- The responsibility and accountability of Authorising Officers by delegation for their actions were made explicit and underlined. Internal controls in the services were further tightened, this being one of the preconditions for the abolition of centralised Financial Control.

- The commitments remaining to be settled have been significantly scaled down in 2002 and are being further reduced.

Regarding Management systems:

- In 2002, Activity-based management (ABM) and the Strategic Planning and Programming cycle started to become fully operational. Annual management plans were established in all DGs and services using comparable management information on priorities, allocated resources, objectives and indicators by activity. The management plan covers all activities of a service and helps services to plan, monitor and report on its activities, actions and use of resources in conformity with its mission statement and objectives. It also provides input for the Annual Policy Strategy, the Preliminary Draft Budget and through its execution is the basis on which the Annual Reports are built.
- As indicated above, 2002 was also the first year where Directors-General and Heads of Service presented their Annual Reports and declarations of assurance.
- Activity-based budgeting (ABB) is the main budgetary component of the Activity Based Management (ABM). Preparatory work has been carried out throughout 2002 in view of the move to a fully-fledged ABB budget in 2004.

A number of key measures of the reform were adopted in 2002, but the crucial implementation steps will be taken in 2003. This is the case in particular with the career development review and the new financial regulation. In the same way, the modernisation of the accounting framework to progressively implement accrual accounting principles, to be completed by 2005, constitute a major challenge for the financial management of the Commission.

3.2. Internal control systems: need for improvement

The internal control framework used by the Commission is based on 24 Internal Control Standards which encompass all aspects of the Commission's management process. For the 2002 Annual Activity Reports, DGs and services were asked once again to self-assess the degree of implementation of these standards in terms of the minimum requirements expected to be in place as at 31 December 2002. These assessments were the product of management judgements by the DG itself, in the light of the information and knowledge available, although of course independent audits may have been used in certain cases to help form those judgements. In addition to reporting progress in implementing the Standards, DGs and services were required to make a brief appraisal of the inherent internal control and risk environment in which they operate. The aim was to increase understanding of the reservations and other important issues raised that might impact on the assurances required in the annual declarations.

Control Environment

Reflecting the continued priority given to developing key human resource related initiatives, DGs and services generally reported strong progress in implementing the standards covering job descriptions and staff appraisal (Standards 2 and 4), but were less confident on the standards concerned with ensuring staff competence and mobility (Standard 3) and with sensitive functions (Standard 5). Concern was expressed in general terms about the availability of staff with the right expertise, and particular attention was drawn to the financial and nuclear domains where the right skills are notably in short supply and where the Commission has very specific needs.

Performance and Risk Assessment

The reported level of implementation of the control standards underpinning ABM, particularly on Annual Management Plans (Standards 9) and setting objectives (Standard 7), mirrors the general progress and priorities attached to this initiative. However, more limited progress is reported in establishing effective monitoring systems based on performance indicators, where there clearly remains much work to do in developing meaningful input and output measures. On the analysis and management of risks (Standard 11), DGs and services undertook a major exercise in 2002 to assess their state of readiness for coping with the new Financial Regulation by assessing the risks involved and the necessary control measures. However, at the year-end there remained work to be done by DGs and services in ensuring that certain mandatory controls would be in place. Moreover, it is clear from the limited progress made in general, that DGs and services are some way short of having a fully embedded risk management culture in place.

Information and Communication

The main areas of concern raised by DGs and services under this heading include the use of key performance indicators (Standard 12) where half of DGs and services reported that they had implemented at least the minimum requirements. The remainder reports that implementation is still underway, citing amongst other issues problems encountered in using IRMS as an effective management tool in their day-to-day operations.

DGs and services reflect more progress related to the mail registration and filing systems where a large majority of DGs and services reported that at least the minimum requirements had been implemented. This reflects a broad consensus that the ADONIS mail registration system is in place, but also that there is ongoing work still needed to ensure proper management of filing systems.

Control Activities

Control activities are fundamental components of a DG's system of internal control and cover the everyday operations designed to provide management with reasonable assurance on the achievement of objectives and the management of risks, whatever the domain. These cover fundamental issues such as the separation of duties, documentation of the control procedures and the supervision activities carried out by Management to ensure that those controls are applied as intended. Weaknesses in the area of control

activities are often inter-connected, with for example, the absence of appropriately expert staff, compounded by insufficient or unclear documentation setting out exactly what is required and poor management supervision overseeing the whole process. Whilst DGs and services reported significant advances in certain areas, most notably in ensuring proper separation of duties in their financial circuits, this control component as a whole reveals the greatest scope for improvement and can most readily be linked to reservations and to other weaknesses raised in the Annual Reports. Over half of the DGs and services reported that they were still in the process of implementing the minimum standards in the area of supervision. A minority of DGs and services reported that they had implemented the minimum standards or more on the documentation of procedures.

Audit and Evaluation

DGs and services report steady progress in establishing the elements necessary for having a sound audit and evaluation framework which includes ensuring the proper follow up of audit findings, control weaknesses and self-review. Whilst all DGs and services have largely embraced the need for management to review the systems of control for which it is responsible, there are certain areas, notably in the Commission's delegations and representations, where this needs to be strengthened as a process.

Overall conclusions

In conclusion, the Commission's internal control systems are still evolving. The internal control standards provide the basis for these systems and DGs and services have self-assessed and reported in their Annual Reports progress made in complying with these standards. Overall, it is evident that there is a greater understanding of these issues and in particular of the fact that internal control is not limited to just financial matters, although it should be noted that the latter were given special attention in 2002 through the readiness assessment process in preparation for the New Financial Regulation. General progress in implementing the standards continues to be made. The self-assessment process, coupled with increased awareness of management responsibility and the progress reported in implementing the standards represent major steps forward but they do not constitute proof itself that the systems of control fully address risk and are working as intended.

The assurances required in the declaration are inextricably linked to the adequacy of the control systems. The underlying framework of control and the achievement of the control standards are not an end in itself but a platform for gaining and delivering the assurances on proper management and control. DGs and services have not always explicitly linked the content of reservations to the assurances required.

3.3. Issues raised by the European Court of Auditors and in the Internal Auditor's and the Audit Progress Committee's reports

3.3.1. Recommendations of the European Court of Auditors

Amongst the recommendations made by the European Court of Auditors (ECA) in its Annual Report concerning the financial year 2001, some are of a cross-cutting nature and warrant mention in the present Synthesis.

ECA's recommendations on the reform have been taken up by the Commission. In particular:

- The ECA's Annual Report pointed out that by the end of May 2002 insufficient progress had been made on developing **the new accounting framework** (Point 9.8.) In this respect, a communication on modernisation of the accounting system was adopted in December 2002 (COM(2002) 755). The Commission recognises the need for enhanced monitoring (see part 5.3.7. below) and will regularly inform the discharge authority and the ECA of the progress made. Once the new accounting framework is in place, a number of problems highlighted by the Court, e.g. the difficulty in taking stock of the amounts held by the financial intermediaries and not yet paid to the final beneficiaries (Point 9.25. of the ECA's Annual Report), will be resolved once and for all.
- A series of recommendations concerning the **establishment of the Annual Activity Reports** have been pursued: the timetable has been brought forward (Points 9.54. and 9.55. of the ECA's Annual Report), and will need to be brought forward still further for the deadline laid down in Article 60(7) of the recast Financial Regulation to be met, as required from the 2003 exercise onwards. A number of concerns expressed regarding the nature of reservations and observations (Points 9.71. to 9.91. and 9.97d of the ECA's Annual Report) have been addressed through more specific guidelines. Further fine-tuning of the methodology will be introduced in respect of the 2003 Annual Report exercise (see part 4. below).
- Difficulties concerning availability of **skilled staff**, as underlined by the ECA (Point 9.65. of the ECA's Annual Report), are acknowledged by the Commission. Remedial measures to be carried out are laid down in part 5.3.1. below.
- ECA's concerns regarding the implementation of **internal control standards** (Point 9.66. of the ECA's Annual Report) are addressed in part 5.4.5. below.
- Measures have been adopted and will be closely monitored in order to guarantee more effective management of the **recovery of funds unduly paid** (Point 9.67. of the ECA's Annual Report). Certain measures designed to improve recovery procedures were already put into effect in 2002 and are ongoing, including computer developments and additional documentation of procedures. Also, in 2003 the process of issuing the debt notes is being decentralised. Finally, an Internal Audit Service audit

of recoveries has been finalised in early 2003. Following examination by the Audit Progress Committee, it was agreed that services will put in place action plans to follow up the recovery issues and, if necessary, integrate these in their annual management plans (see action “recovery” under point 5.3.2).

- The Court also recommended to review the organisation of the Audit Progress Committee in order to reinforce mechanisms to deal with any potential conflicts of interest when discussing issues where the services concerned fall under the responsibility of the Chair or other members of the Committee. A number of measures are now contemplated that respond to the Court’s concerns (see part 3.3.3. hereunder).
- The Commission undertook to take actions on corresponding Court’s recommendations concerning legality and regularity of underlying transactions, including clarification and simplification in the field of the structural funds and implementation of an effective audit strategy for the Research framework programme. Remedial measures to be carried out are laid down in parts 5.3.3. and 5.3.4. hereunder.
- The Reform White Paper Action 87 provided that the IAS should carry out a cycle of in-depth audits after the completion of the first round of DGs’ Annual Activity Reports and the attached assurance statements of authorising officers by delegation. The IAS aims to provide an overall view of the quality of internal control systems in its annual report for 2003.

3.3.2. *Internal Auditor’s report*

The annual report of the Internal Audit Service (IAS) includes a series of issues to be considered by the Commission. These concern in particular a number of issues raised in the organisation of the Commission following the Reform, which require fine-tuning or clarification in some instances.

- Political supervision on accounting reform: it will be provided through regular discussion in the Commission on the basis of briefing to the Commission by the competent Commissioner (part 5.3.7. below).
- Increasing synergy within the Commission’s audit community: it is a useful objective as suggested by the IAS. The Communication on “Actors in internal control and internal audit” reconfirmed the “IAS’s mandate to support IACs through Auditnet and more precisely to promote common methods, tools and techniques concerning audit in the Commission”². In conclusion, the IAS should, in agreement with the concerned actors, ensure that its central co-ordination role is fully developed.
- The co-ordination of decentralised responsibilities in certain management and control areas: more efforts will need to be undertaken to effectively communicate the revised management and control framework to the different levels of management and staff. This is accompanied by a strong

² SEC(2003) 59/3 of January 2003.

co-ordination role played by the Secretariat-General, which operates via internal governance instruments such as the group of Directors-General, the Resource directors and the inter-service co-ordination group as well as the ABM Steering Group.

- Guiding resource decisions through management risk assessment: the question needs to be addressed. The Commission will consider how to make risk assessment a more visible factor to be taken into account in preparing management plans and making resource allocations
- Shared management: the IAS suggested that DGs and services should address scarcity of resources by giving priority to preventive actions over closure audits. While trying to give priority to preventive audits in areas with the highest risk level, first priority has to be given to comply with the legal obligation to close the programmes only after appropriate audits.
- Statements of assurance from beneficiary countries as a tool for obtaining reasonable assurance in the event of shared or decentralised management: This solution, while not seeming *prima facie* appropriate in the context of external aid, will be further examined in areas of shared management by the follow-up working group to Action 12 of the 2001 Synthesis (see part 5.3.3.).

An overview of the recommendations of the Internal Audit Service 2002 annual report is contained in a separate Communication to the Commission.

3.3.3. *Audit Progress Committee's report*

The second annual report of the Audit Progress Committee covers the period from May 2002 to April 2003. According to the Audit Progress Committee Charter³, it presents the Committee's own activities and its views on the internal control systems within the Commission, on the basis of the work of Internal Audit Service.

Drawing on the main recommendations put forward in the report, the following issues are highlighted:

- The services should improve their contribution to the audits by reacting in due time to the draft audit reports in order to help the Internal Audit Service reduce the current average audit duration of over a year to a period that maintains the full utility of the audit results. The auditees should also ensure the proper implementation of the agreed recommendations.
- The Internal Audit Service should improve its methodology in co-ordination with other internal auditors so that it is well-established and known. In particular it should continue its recent approach to focus its audits on questions of compliance, efficiency and effectiveness and undertake these audits within a timeframe maintaining the validity of findings and

³ SEC(2000)1808/3, adopted on 31.10.2000

recommendations. It should also continue its endeavours to base its findings on undisputed evidence so that they can be agreed with the auditees and hence help improve the acceptance rates for recommendations. Commission management emphasises that in order to assess progress in the implementation of internal control, management needs information on compliance. The recommendations should be more clearly prioritised, stressing the risk in case of non-implementation, and taking account of possible additional costs, to help auditees to implement them properly. Finally, the Internal Auditor should put in place without delay an operating system for the follow-up of recommendations and develop closer working relations with the Internal Audit Capabilities to bring overall improvement of audit performance of the Commission.

- The Audit Progress Committee should be able to have an overview of internal controls systems through the work of internal and external auditors. Regarding its organisation, it is noted that the Audit Progress Committee will maintain its current composition and role while stepping up the rhythm of its meetings and contacts with the European Court of Auditors. The Commissioner responsible for the budget will continue to pass the Committee's chairmanship to another member when audits specifically concern the services under her/his own responsibility. This principle will also apply to the other members. Besides, a second external member will join the Committee from 2004 onwards to enhance its expertise. Finally, the APC secretariat will be located in the Secretariat-General.

4. STABILISATION OF ANNUAL REPORT PROCESS

4.1. Year 2001

The first **Annual Reports covering the year 2001** was a **pilot exercise**. The new concepts and methodology they entailed proved to be a powerful instrument for transparency and accountability. The feed-back from external stakeholders, such as the Court of Auditors, was positive. However, this first exercise suffered from a number of weaknesses, such as lack of consistency regarding the scope and the meaning of the reservations, the actual impact of the issues identified in the reservations and, more generally, the need, as expressed, for clarification of the methodology.

4.2. Improvements to methodology

The Commission has drawn lessons from this pilot experience and considered recommendations made by the Court of Auditors and the Internal Auditor. Building on the experience gained from the first exercise, the 2002 exercise shows **methodological improvements** in several respects:

- **Different parts of the Annual Reports have been improved and new sections added**, e.g. for the purposes of presenting the follow-up to the previous recommendations of the Internal Audit Service and the European Court of Auditors and to the action plans of the 2001 Annual Reports and Synthesis.

- **A major effort was made to clarify the scope of the declarations and reservations** (concept of materiality, i.e. definition of the threshold of importance beyond which a deficiency needs to be considered for a reservation) in a communication adopted in January⁴.
- **A peer review of potential reservations** was organised prior to the submission of the Annual Reports and declarations. The peer review increased the level of consistency in the use of reservations.

4.3. Year 2002

An analysis of the 2002 Annual Reports shows a qualitative improvement in terms of understanding and consistency.

- Some of last year's reservations are presented this year in the form of observations following the clarification of the scope and criteria for those concepts.
- Most recurrent **reservations** concern the difficulties to cope with the inherent risk in shared or decentralised management (see action "shared management" under point 5.3.3.), risk of overpayments in contracts and grants based on reimbursement of actual costs (see action "co-financing" under point 5.3.4.) and lack of specialised human resources e.g. in areas as financial management, audit, nuclear safety or linguistic tasks (see action "human resources" under point 5.3.1.).
- **Observations** relate in particular to inadequate implementation of the internal control standards (see action "Internal Control Standards" under point 5.4.5), to lack of human resources and to financial management problems. Some of them concern issues that need to be addressed to correct the underlying causes. Services concerned should therefore identify specific action plans as far as the measures envisaged are manageable by the Directorate-General (see action "Follow up by services" under point 5.4.6).

4.4. Necessary improvements

While accountability awareness is now well established across the Commission, efforts still need to be made to improve the quality of the process as a whole at all levels within DGs and services, in particular regarding the following issues arising from the Annual Reports:

- reservations should always be supported by concrete evidence;
- the impact of reservations on the specific assurances required in the declaration should always be made explicit;
- the materiality criterion used to assess whether an issue should be subject to a "reservation" should always be properly explained;

⁴ COM(2003)28 of 21.01.2003

- the agreed standard wording for the declaration should always be used;
- reservations carried over from the previous exercise should not be included simply to report on the state of progress without consideration for the actual impact on the assurances.

The necessary clarifications will be integrated in the guidelines for the establishment of the Annual Reports on year 2003, drawing on best practises identified in Annual Reports on 2002.

5. ON-GOING WORK AND NEW CORRECTIVE ACTIONS REQUIRED

The analysis of implementation of corrective actions undertaken by DGs and services last year, and of the action plan adopted by the Commission, shows that the issues identified have been actively addressed.

It should be noted, however, that as 2001 was the first year for this exercise, many issues have been raised, some of them having awaited resolution for some time. It is therefore normal that this year a reduced number of new issues should be raised within the Commission, while the resolution of some of last year's issues will take some time, given their complexity.

The present section is designed to give an update both on how DGs and services have dealt with corrective actions undertaken at their level (5.1) and on the issues raised in last year's Synthesis, some of which continue to be raised this year. Issues that have been resolved or are on the way to being resolved are recapitulated (5.2), while the state of play is provided on a number of key issues (5.3). Finally, a number of new issues requiring improvement or corrective actions are identified (5.4).

5.1. Corrective actions undertaken by DGs and services

All DGs and services reported on the implementation of action plans to remedy the previous reservations and observations (where applicable). However, the effects of those actions were not fully visible at the end of 2002 and some of them will only bear fruit from the 2003 exercise onwards.

Successful implementation of action plans requires ongoing monitoring and allocation of sufficient resources through the Management Plans. **In this respect, improvements should be made, as not all DGs and services have adequately translated their action plans into Management Plans.**

5.2. 2001 Synthesis action plans follow up

Last year, the first Synthesis included an action plan whose implementation has proved satisfactory.

- A number of actions in the fields of management and control have been successfully completed, such as the readiness assessments in view of the entry into force of the new financial regulation (Action 11), the design and documentation of financial procedures (9), the strengthening of co-ordination mechanisms in the Commission (6), clarification of the

responsibilities of the key actors in audit and control (13) and training on financial management (15).

- Actions has been achieved in other fields too, such as the methodology and guidance for producing the Annual Activity Reports for 2002 (10, see also part 4.2. above), the adoption in June 2003 of a communication on the role of Directors-General in the framework of shared management (12), as well or measures concerning nuclear safety (3).
- In addition, a number of actions have been launched, for which the timetable for resolution of the issue raised runs over several years. This is for instance the case with the modernisation of the accounting framework (16 and 17) and with the interoperability action plan (7).
- Some improving or corrective actions for issues identified and addressed last year require an update and/or new action e.g. issues relating to shared management (12) and co-financing (1). The state of play regarding such modified on-going actions, including where necessary an update of corrective measures, is provided in the sections below.
- Finally, although in some cases positive effects were noticeable in the establishment of the 2002 Annual Reports (for instance improvement in the Annual Report methodology or clarification of the role and responsibility of the actors in the domains of control and audit), in many instances the corrective action will only bear fruit from the 2003 exercise onwards or later depending on the nature of the issue and the specific timetable agreed.

5.3. Ongoing work to be followed up in 2003

5.3.1. Lack of human resources

As in 2001, a number of Directors-General and Heads of Service explain in their 2002 Annual Activity Report that they could not achieve certain objectives set for 2002 for lack of human resources. The Internal Auditor's report also refers to a structural lack of human resources for performing the tasks of the Commission. In this context, the efforts made for some years by DGs and services to redeploy staff to priority actions while maintaining the same level of commitment to implement their still more demanding core-business activities should be recognised. Despite the organisation in 2002 of additional competitions and the possibility given to services to recruit temporary agents on permanent posts until the competitions have produced their results, the following issues have been raised:

- insufficient human resources allocation to ensure full implementation of the *acquis* in the enlarged Union;
- unavailability or scarcity of people with the right profile and expertise for specific tasks, in particular in financial management and audit, nuclear safety, linguistic profile or other specialised expertise.

Action “Human resources”

A. DGs and services will be requested to prioritise their activities in their Annual Management Plans starting from 2004. In allocating their resources internally, they are requested to ensure adequate staffing for units that are specifically dealing with internal control and audit matters. Furthermore, in accordance with the Code of Conduct for Commissioners and Departments, the Director-General and the Commissioner concerned will identify actions that may not be carried out. Accordingly, and based on an overall management risks assessment, resources could be further redeployed amongst services towards priority initiatives, notably those contributing to the Commission's strategic objectives. The outcome will be fed into the Commission's Annual Policy Strategy.

B. DGs are also requested to identify training and recruitment needs to fill vacant posts for financial management, internal control and audit activities, and to communicate these to DG for Personnel and Administration by September 2003. On the basis of this assessment as well as on the basis of the strategic training framework and individual training maps, Directorate-General for Personnel and Administration will review the situation of scarce skills. On this basis, a communication to the Commission will report before the end of 2003 on the situation, the actions taken, and the measures proposed to improve the level of specific expertise (e.g. financial management and control).

5.3.2. Recovery

Despite measures already taken, recoveries of unduly paid funds remain a significant risk sector for many services in the institution. Directorate-General for Budget will lead the monitoring process on clearance of the backlog of recoveries by addressing quarterly to each authorising officer by delegation a report setting out the number, value and age of outstanding recovery orders falling under his or her responsibility, together with indicators of the progress made, and to make to this end the necessary improvements to its computer systems. In turn, the authorising officers concerned should ensure an efficient internal monitoring of the recovery of amounts due and open commitments. The Internal Audit Service should follow up on the implementation of the related audit recommendations by the DGs and services concerned.

Action "Recovery"

A. The recovery of amounts due on direct expenditure is to be addressed in the annual management plan of each authorising officer by delegation, accompanied by appropriate performance indicators. The last Budget quarterly report mentioned above will be annexed to his or her annual activity report.

B. Directorate-General for Budget will lead the monitoring process on clearance of the backlog of recoveries by developing both indicators of performance (on a service and Commission level) and information systems that would provide for management purposes regular and reliable statistics/indicators to authorising officers, and that would

allow a Commission-wide overview of overall performance and effectiveness.

C. The Internal Audit Service should follow up with all authorising officers in due course implementation of the recommendations relevant for their services, through management or specific action plans, without there being a need for another special IAS audit on recoveries in the near future.

5.3.3. Shared management arrangements

The information presented in the 2002 Annual Reports on this issue suggests greater understanding of shared management issues. However, some DGs involved in shared management have included reservations in their declarations because of the lack at this stage of sufficient tools and procedures in the legal framework to give a reasonable assurance that the management and control systems in the Member States are functioning satisfactorily. Similar issues were raised last year.

Reservations linked to shared management are related to the level of control executed by the DGs and services and to the results of analysis and audit of the Member States performed by the Directorate-General. In some cases, reservations are included because DGs have not yet completed the analysis of their system descriptions. In other cases, the systems analysis has been made but not evaluated and ex-post audits have not yet been performed. In a few cases, reservations reflect weaknesses detected in the Member States by DGs after verification of Member States' control systems, although the financial consequences are addressed through financial corrections based on ex-post controls by the DGs.

The variety of audit practices in the Commission and in the Members States calls for the methodology to converge in order to improve the impact, efficiency and comparability.

Action "Shared management"

A. Following Action 12 of last year's Synthesis⁵, an interservice group has been launched to analyse possible measures such as an assurance declaration by Member States, the provision of ex-ante disclosure statements by Member States, the aggregation of agencies for the certification process, controls over the certification process in Member States and the development of minimum standards for analysing risks related to new or amended secondary legislation. This group will be co-ordinated by Directorate-General for BUDGET with the support of Directorates-General for AGRI, REGIO, EMPL, FISH, JAI, ELARG, SG, SJ and IAS. Being a multiannual task, a first intermediate report should be ready before the end of 2003, and will take account of interim results of the legal analysis group below.

⁵ See Communication C(2003)1830/2 of 18.06.2003

B. Concrete steps will be taken to promote convergence of audit methodologies and processes between DGs and services operating under shared management arrangements. Specific attention will be paid to the development of common standards, taking into account well-established best practices, complementary control and audit processes, at Community and national levels, and assurance protocols with Member States. To this effect, Directorate-General REGIO with the other operational DGs concerned and support from the Internal Audit Service will prepare a Communication by March 2004.

C. A legal analysis of shared management responsibilities between the Commission and the current and future Member States will also be carried out by the Legal Service. On this basis, the Commission will make all appropriate recommendations to clarify the respective responsibilities of Member States and of the Commission in the case of shared management. Proposals will be prepared by March 2004 by DG REGIO in agreement with the Secretariat-General and the other structural funds Directorates-General.

5.3.4. Shared costs programmes

The research area

Across the Research area in general, reservations have been included regarding the management and control of shared costs contracts under the 5th Framework programme. Under this system Community funds are paid on the basis of eligible costs incurred, as declared by the beneficiaries. Because these costs cannot be completely and accurately ascertained by the Commission prior to the authorisation of payments, a risk of overpayment exists. Only a full financial audit can determine with certainty and accuracy the correctness of the cost claimed.

Following action 1 of the Synthesis made last year, a common action plan was adopted by the Commission on 10 January 2003, and implementation has begun, this including measures to improve the consistency between DGs and services in the management of these contracts and to increase the effectiveness in the verification of cost claims and to reduce the risk of errors. These measures will be implemented in 2003 and beyond.

Additional remedial actions were adopted by several DGs (e.g. introduction of audit certifications, increase in the number of ex-post audits, greater communication to beneficiaries, limiting the number of old contracts with less robust clauses) in an attempt to reduce the risk. This risk cannot however be eliminated altogether. This would require full financial audit of all projects, which would not be cost-effective for the Commission.

Co-financing programmes in general

Risks relating to the exactitude of cost claims are not limited to the Research field. It concerns all systems based on the reimbursement of real eligible costs (e.g. other grants). Further action is needed to cover also these areas dealing with co-financing programmes.

Action “Co-financing”

An interservice group, led by the Secretariat-General with the support of Directorate-General BUDG, and involving all Directorates-General concerned by co-financing programmes will examine by the end of 2003 the possibility of introducing flat-rate elements into subsidies. The associated control methodology should, where possible, seek to develop common standards for risk management and assessment of costs and benefits, without excluding the possibility of random checking.

5.3.5. *Implementation of the Legislative and Work Programme in the Commission*

In 2001, the Commission launched a renewed programming exercise focusing on initiatives and proposals linked to strategic priorities. The results in 2002 were quite positive. Following action 6 of last year's Synthesis, the Commission set up in 2002 the necessary mechanisms for a systematic follow up of the implementation of the Work Programme and for flexible solutions to be found to the problems encountered.

Action “Work Programme implementation”

The Secretariat-General will strengthen monitoring of the implementation of the 2003 Legislative and Work Programme, namely by taking into account the renewal of the European Parliament in 2004, and the consequences that this will have on the current levels of implementation.

5.3.6. *The devolution process in external relations*

A process of devolving project management to the Delegations was part of the external assistance reform launched in May 2000⁶. This process is rooted in the principle that everything that can be better managed on the spot should not be managed in Brussels.

As announced in the Synthesis of the 2001 Annual Reports, a review should be made this year. The scope of the review will be extended to focus in particular on the following aspects:

- The question of matching human resources to increased responsibilities in deconcentrated delegations;
- The issue of the appropriate deployment of staff members in headquarters and in delegations to manage external aid properly;
- The question of the administrative expenditure which is currently executed centrally but could be deconcentrated to delegations.

Action “Devolution”

⁶ See SEC(2000)814/5

External Relations DGs, under leadership of Directorate-General for External Relations and in agreement with the Secretariat-General, the Directorate-General for Budget and the Directorate-General for Administration, will prepare by the end of 2003 a communication evaluating the results of the devolution exercise paying particular attention to the above-mentioned issues. The resource implications of this action plan will be examined in the Annual Policy Strategy for 2005.

5.3.7. Commission's accounting framework and information systems

Reservations expressed by Directorate-General for Budget refer firstly to the issue of accrual accounting and secondly to the coherence between the various subsystems of Sincom2.

The financial statements do not fully reflect the financial situation of the Communities as regards accrual elements. This situation should be corrected once and for all as from 2005, when, in accordance with the new financial regulation and the overall modernisation project adopted by the Commission on 17 December 2002, the financial statements have to be established by an integrated system in accordance with the principle of accrual accounting. Meanwhile, Directorate-General for Budget will continue its efforts to improve its development of accrual accounting with the assistance of recognised experts in public finance.

With regard to the various subsystems of Sincom2, the reservation covers two aspects. The first problem relates to the system architecture which leads to the redundancy of some data inside the information systems which in turn creates a risk of lack of coherence of information presented to the Authorising Officers, on the one hand, and the central services, on the other hand. A lasting solution in this area will come only from a change in the systems architecture, as envisaged in the aforementioned modernisation project. Nevertheless, thanks to the reconciliation process carried out by Directorate-General for Budget, the consistency of the 2002 data is guaranteed. The second point refers to the security policy of the systems and in particular access rights. An overall security policy covering all subsystems still needs to be developed.

Action "Accounting framework and information systems"

The Commission will continue to be regularly informed of progress in this matter.

5.3.8. Follow-up to Internal Audit Capability reports

The issue of follow-up and transmission of audit reports done by the Internal Audit Capabilities has arisen. This is of particular importance where such reports raise issues which may have an impact on other services, or on the reputation of the Commission. More generally, the importance for Commissioners of being regularly informed of any issues arising from the work of auditors, or controllers, in the services operating within their area of responsibility is recalled.

Action “Follow up of audit reports”

At least twice a year, the Directors-General will inform the responsible Commissioner on work undertaken by their Internal Audit Capabilities, the conclusions reached and the remedial actions planned or launched. This information should also cover any appropriate issues arising from the work of the internal Audit Service, the European Court of Auditors, the DG in the context of ex-post controls, and OLAF. In the interval, the above information shall be submitted by the Director-General any time that she/he deems it appropriate.

5.3.9. *Follow-up of OLAF activities*

OLAF, the Office in charge with fighting against fraud prejudicial to the Community financial interest, is in the specific situation of being structurally a Commission service, while having an operational independence and a degree of budgetary and administrative autonomy. While fully recognising OLAF's independence, the Commission needs to be informed of the major issues reported to the Office, in order to take appropriate measures.

Action “Follow up OLAF”

A. Where the Director-General reports a specific issue to OLAF or where she/he considers it is sufficiently important, she/he will inform the responsible Commissioner.

B. A Code of Conduct will be drawn up by the end of September 2003 to improve information flows between OLAF and the Commission.

5.4. New corrective actions

Corrective action at Commission level is also required for a number of other issues which emerged in 2002.

5.4.1. *Internal Control Standards in Delegations*

A number of reports and declarations signed by Directors-General of the External Relations family have identified the need for reviewing the status of implementation of Internal Control Standards in Delegations, particularly in so far as it affects the management of administrative expenditure.

- A common action plan should be designed by Directorate-General for External Relations, in agreement with the External relations DGs and with the support of Directorate-General for Budget, to implement internal control standards adapted to the environment in which Delegations operate, with particular emphasis on the self-assessment process in Delegations.

Action “Internal Controls in Delegations”: A working group led by Directorate-General RELEX will design with the support of Directorate-General for Budget an action plan specific to the External Relations family to implement the internal control framework and develop the self-assessment process in the Delegations.

5.4.2. *Integration of the EDF in the EC Budget*

The European Development Fund is an extra-budgetary instrument financed from direct contributions of the Member States. Its management requires a regulatory framework, accounting system and decision making procedures separate and different from the Community budget. The end of the timeframe for the 9th EDF and the need to negotiate between the EU and the ACP Countries a new allocation from 2005 and the preparation of new Financial Perspectives provide an opportune timing for the Commission to present a new Communication setting out the advantages and drawbacks of incorporating the EDF into the Community budget. In the meantime, following the entry into force of the 9th EDF new Financial Regulation, the EDF accountancy should be accrual based by January 2005. A working group of Directorates-General for Budget and AIDCO will examine the possible scenarios for including the EDF accountancy in the future Commission accounting system.

Action “EDF”: Following on from the review reflection work currently under way, the Commission will prepare a Communication on the prospect of integrating the EDF into the EC budget as part of the preparation of future financial perspectives.

5.4.3. *Control environment issues in Press relays and representations*

The 2002 Annual Report of Directorate-General PRESS includes two reservations covering basic weaknesses in internal control in the Networks and Representations.

Action “PRESS” A: Directorate-General PRESS, with the technical assistance of Directorate-General for BUDGET, will assess by March 2004 the situation regarding the control environment, identifying the main weaknesses and proposing solutions with particular focus on the Relays and Networks and the management and control environment in the Representations. The in-depth audit of Directorate-General PRESS currently being carried out by the Internal Auditor should also be of assistance in this regard.

Action “PRESS” B: In order to implement the decision of the Commission of December 2002, a working group chaired by the Deputy Secretary-General will be set up with the task of examining the feasibility of integrating the Representations in the Member States into the rotation schemes of Directorate-General for External Relations.

5.4.4. *Implementation of the acquis in the enlarged Union*

The Community *acquis* must be fully implemented in the enlarged Union from the first day of accession. This means guaranteeing availability of the legal texts in the official languages of the new Member States from 1 May 2004 and ensuring proper implementation of the various provisions. The responsible DGs will oversee the transposition and implementation of the *acquis* by EU Member States including, from May 2004 onwards, the new Members States, in line with the usual procedures. This will focus in particular on the Internal Market legislation and on specific aspects such as

food inspections, nuclear safety, external border controls or environment monitoring.

Action “Community Acquis” A: The Legal Service will monitor, in co-operation with DG Enlargement and with the assistance of the Office of Publications, the progress in translation of the acquis by the new Member States and will set up an appropriate updating mechanism for the list of the acquis. It will regularly report on the progress from September 2003 onwards.

Action “Community Acquis” B: the Secretariat-General will design a process for overseeing implementation of the *acquis*. This exercise will be carried out in close co-operation with all DGs and services concerned. It will focus namely on the most sensitive provisions and should enable the Commission to launch the appropriate actions in due course taking into account the results of the monitoring report to be adopted in October 2003.

5.4.5. Internal Control Standards

As is outlined in Part 3.2., DGs and services continued their efforts in 2002 to implement Internal Control Standards. There has been progress in complying with requirements, but it is acknowledged that there is still progress to be made in order to fully implement all baseline requirements. The Commission request all DGs and services to give priority to the outstanding actions in order to ensure satisfactory implementation by the end of 2003.

The Central Financial Service assists services in the implementation of internal control standards, by ensuring a good understanding, developing tools and methodologies, and providing training. This is crucial to ensure that what services will report in their self-assessment of internal controls will be a proper representation of their situation. The Central Financial Service will prepare a yearly report providing an overview of the internal control systems of the Commission by Directorate-General and service; this report will be submitted in April every year, and will be updated each October. This overview will be one of the distinct and essential reports informing the Synthesis, alongside with the other audit and control reports.

There is a need to reflect upon the experiences so far in implementing the standards and to enhance ownership by DGs and services, while ensuring that those standards reflect internationally accepted best practices.

Action “Internal Control Standards”: All DGs and services will develop an action plan with the aim of reaching compliance with the baseline requirements before the end of 2003. As a result, these baseline requirements will be satisfactorily implemented at the 31st December 2003. Services will be asked to report by the end of September 2003 on their readiness to meet the 31 December 2003 deadline. Specific support may be provided in order to help services unable to meet this deadline.

5.4.6. Follow-up to recommendations and of action plans

DGs and services should ensure that actions required to follow up on specific management and control weaknesses are fully reflected in their management

plans and implemented without delay. This concerns notably specific external or internal audit recommendations, actions identified in the present Synthesis and corrective actions presented by DGs and services in their 2002 Annual Reports to deal with the deficiencies identified in their reservations. The 2002 annual reports contain also a significant number of observations for which, where manageable by the service, the underlying problems should be addressed through specific action.

Actions to address these issues should be incorporated into the on-going Annual Management Plans with a timetable, and should be regularly monitored for achievements of the expected results. Also individual Commissioners are responsible for assuring that the Directors-General concerned have set in train the measures envisaged in their area of responsibility.

Action “Follow up by services”: DGs and services will incorporate the necessary action plans into their management plans and will regularly monitor their implementation.

6. CONCLUSION

2002 is the second year of the Annual Reports and declarations, which are an important aspect of the Reform. The Commission has drawn the relevant lessons - as explained in this report - from the first year's experience and has refined this management responsibility and transparency tool for the year 2002. These cultural changes required important efforts from the whole staff and highlighted even more the high inherent risk level of the Commission activities.

In order to take the significance of this exercise and the progress made since last year fully into account, it is important to emphasise the multi-faceted nature of the Annual Reports as:

- An accountability instrument for the Directors-General and Heads of Services to use in their management sphere for the year reported on;
- An instrumental factor for change, both in terms of process and outcome. It is an instrument to detect weaknesses and risks with respect to set objectives and expected results. Their explicit identification accelerates remedial action;
- A tool to foster ownership of results, management and control not only at senior officials level, but also among staff.

The positive effects of the introduction of Annual Reports and declarations also have to be acknowledged:

- The nature of this process goes beyond just implementing a set reform agenda, as it is intended to bring out new issues. It encourages the full disclosure of shortcomings calling for remedial action.
- This represents a process of cultural change, in which increased transparency of both strengths and weaknesses has very positive effects.

In this respect, senior management and staff have been made increasingly aware that all have a role to play in management and control, besides the designated responsibilities of specific actors.

- It represents a vehicle for assessing on a global basis the situation of its DGs and services, taking responsibility for results and deciding on issues requiring corrective actions. This enables the Commission to consolidate the delivery of policy results with progress in management.

SYNTHESIS ACTIONS SUMMARY

The following table summarises all tasks and actions resulting from the present Synthesis

INTERNAL CONTROLS.

| Réf. Synthèse | Task / (New/ongoing) Action | Description | Responsible / deadline |
|---------------|---|--|--|
| 5.4.5. | New Action "Internal Control Standards" | All DGs and services will develop an action plan with the aim of reaching compliance with the baseline requirements before the end of 2003. As a result, these baseline requirements will be satisfactorily implemented at the 31 December 2003. Services will be asked to report by the end of September 2003 on their readiness to meet the 31 December 2003 deadline. Specific support may be provided in order to help services unable to meet this deadline. | All DGs / end 2003 |
| 5.4.5. | Internal control standards review | There is a need to reflect upon the experiences so far in implementing the standards and to enhance ownership by DGs and services, while ensuring that those standards reflect internationally accepted best practices. | DG BUDG, in agreement with DG ADMIN and Secretariat-General |
| 3.3.2. | Communication | Effectively communicate the revised management and control framework to the different levels of management and staff. | All DGs |
| 5.4.1. | New Action "Internal Controls in Delegations" | A working group led by Directorate-General RELEX will design with the support of Directorate-General for Budget an action plan specific to the External Relations family to implement the internal control framework and develop the self-assessment process in the Delegations. | DG RELEX (chair), DG BUDG, in agreement with External Relations DGs / end 2003 |
| 5.4.3. | New Action "PRESS" | <p>A Directorate-General PRESS, with the technical assistance of Directorate-General for BUDGET, will assess by March 2004 the situation regarding the control environment, identifying the main weaknesses and proposing solutions with particular focus on the Relays and Networks and the management and control environment in the Representations. The in-depth audit of Directorate-General PRESS currently being carried out by the Internal Auditor should also be of assistance in this regard.</p> <p>B. In order to implement the decision of the Commission of December 2002, a working group chaired by the Deputy Secretary-General will be set up with the task of examining the feasibility of integrating the Representations in the Member States into the rotation schemes of Directorate-General for External Relations.</p> | <p>A. DG PRESS, DG BUDG / March 2004</p> <p>B. Deputy Secretary General (chair) / end 2003</p> |

FINANCIAL MANAGEMENT

| Réf. Synthèse | Task / (New/ongoing) Action | Description | Responsible / deadline |
|---------------|---------------------------------------|--|--|
| 5.3.7. | Ongoing Action "Accounting framework" | The Commission will continue to be regularly informed of progress in this matter. | Commissioner Schreyer / on a regular basis |
| 5.3.3. | Ongoing Action "Shared management" | <p>A. Following Action 12 of last year's Synthesis, an interservice group has been launched to analyse possible measures such as an assurance declaration by Member States, the provision of ex-ante disclosure statements by Member States, the aggregation of agencies for the certification process, controls over the certification process in Member States and the development of minimum standards for analysing risks related to new or amended secondary legislation. This group will be co-ordinated by Directorate-General for BUDGET with the support of Directorates-General for AGRI, REGIO, EMPL, FISH, JAI, ELARG, SG, SJ and IAS. Being a multiannual task, a first intermediate report should be ready before the end of 2003, and will take account of interim results of the legal analysis group below.</p> <p>C. A legal analysis of shared management responsibilities between the Commission and the current and future Member States will also be carried out by the Legal Service. On this basis, the Commission will make all appropriate recommendations to clarify the respective responsibilities of Member States and of the Commission in the case of shared management. Proposals will be prepared by March 2004 by DG REGIO in agreement with the Secretariat-General and the other structural funds Directorates-General.</p> | <p>A. DG BUDG (chair), other DGs concerned / end 2003</p> <p>C. DG REGIO, Legal Service, Secretariat-General and the other structural funds DGs / March 2004</p> |
| 5.3.4. | Ongoing Action "Co-financing" | An interservice group, led by the Secretariat-General with the support of Directorate-General BUDG, and involving all Directorates-General concerned by co-financing programmes will examine by the end of 2003 the possibility of introducing flat-rate elements into subsidies. The associated control methodology should, where possible, seek to develop common standards for risk management and assessment of costs and benefits, without excluding the possibility of random checking. | Secretariat-General (chair), DG BUDG, all DGs concerned / end 2003 |
| 5.3.2. | Ongoing Action "Recovery" | <p>A. The recovery of amounts due and the clearing of open commitments is to be addressed in the annual management plan of each authorising officer by delegation, accompanied by appropriate performance indicators. The last Budget quarterly report mentioned above will be annexed to his or her annual activity report.</p> <p>B. Directorate-General for Budget will lead the monitoring process on clearance of the backlog of recoveries by developing both indicators of performance (on a service</p> | <p>A. Each DG / regular task starting in January 2004</p> <p>B. DG BUDG / process starting</p> |

| | | | |
|--------|-----------------------------|---|--|
| | | <p>and Commission level) and information systems that would provide for management purposes regular and reliable statistics/indicators to authorising officers, and that would allow a Commission-wide overview of overall performance and effectiveness.</p> <p>C. The Internal Audit Service should follow up with all authorising officers in due course implementation of the recommendations relevant for their services, through management or specific action plans, without there being a need for another special IAS audit on recoveries in the near future.</p> | <p>immediately</p> <p>C. IAS / process starting immediately</p> |
| 5.3.6. | Ongoing Action "Devolution" | <p>External Relations DGs, under the leadership of Directorate-General for External Relations and in agreement with the Secretariat-General, the Directorate-General for Budget and the Directorate-General for Administration will prepare by the end of 2003 a communication evaluating the results of the devolution exercise paying particular attention to the following issues:</p> <ul style="list-style-type: none"> – The question of matching human resources to increased responsibilities in deconcentrated delegations; – The issue of the appropriate deployment of staff members in headquarters and in delegations to manage external aid properly; – The question of the administrative expenditure which is currently executed centrally but could be deconcentrated to delegations. <p>The resource implications of this action plan will be examined in the Annual Policy Strategy for 2005.</p> | <p>DG RELEX (Chair), External Relations DGs, Secretariat-General, DG BUDG, DG ADMIN / end 2003</p> |
| 5.4.2. | New Action "EDF" | <p>Following on from the review reflection work currently under way, the Commission will prepare a Communication on the prospect of integrating the EDF into the EC budget as part of the preparation of future financial perspectives.</p> | <p>DG BUDG / end 2003</p> |

AUDIT

| Réf. Synthèse | Task / (New/ongoing) Action | Description | Responsible / deadline |
|---------------|---|---|---|
| 3.3.2. | Co-ordination of the Commission's audit community | <p>IAS to support IACs through Auditnet and more precisely ensure that its central co-ordination role is fully developed to promote common methods, tools and techniques concerning audit in the Commission.</p> | <p>IAS / continuous task starting immediately</p> |
| 3.3.3. | Audit methodology | <p>The services should improve their contribution to the audits by reacting in due time to the draft audit reports in order to reduce the current average audit duration of over a year to a period that maintains the full utility of the audit results. The auditees should also ensure the proper implementation of the agreed recommendations.</p> | <p>All DGs / continuous task starting immediately</p> |

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| 5.3.8. | Ongoing Action "Follow up of audit reports" | At least twice a year, the Directors-General will inform the responsible Commissioner on work undertaken by their Internal Audit Capabilities, the conclusions reached and the remedial actions planned or launched. This information should also cover any appropriate issues arising from the work of the internal Audit Service, the European Court of Auditors, the DG in the context of ex-post controls, and OLAF. In the interval, the above information shall be submitted by the Director-General any time that she/he deems it appropriate. | All DGs / regular task starting immediately |
| 5.3.9. | Ongoing Action "Follow up OLAF" | A. Where the Director-General reports a specific issue to OLAF or where she/he considers it is sufficiently important, she/he will inform the responsible Commissioner. B. A Code of Conduct will be drawn up by the end of September 2003 to improve information flows between OLAF and the Commission. | A. All DGs / regular task starting immediately B. OLAF, Secretariat- General / by September 2003 |
| 3.3.3. | Internal Audit Service methodology | The Internal Audit Service should improve its methodology in co-ordination with other internal auditors so that it is well-established and known. In particular it should continue its recent approach to focus its audits on questions of compliance, efficiency and effectiveness and undertake these audits within a timeframe maintaining the validity of findings and recommendations. It should also continue its endeavours to base its findings on undisputed evidence so that they can be agreed with the auditees and hence help improve the acceptance rates for recommendations. Commission management emphasises that in order to assess progress in the implementation of internal control, management needs information on compliance. The recommendations should be more clearly prioritised, stressing the risk in case of non-implementation, and taking account of possible additional costs, to help auditees to implement them properly. Finally, the Internal Auditor should put in place without delay an operating system for the follow-up of recommendations and develop closer working relations with the Internal Audit Capabilities to bring overall improvement of audit performance of the Commission. | IAS / continuous task starting immediately |
| 5.3.3. | Ongoing Action "Audit in Shared management" | A. Concrete steps will be taken to promote convergence of audit methodologies and processes between DGs and services operating under shared management arrangements. Specific attention will be paid to the development of common standards, taking into account well-established best practices, complementary control and audit processes, at Community and national levels, and assurance protocols with Member States. To this effect, Directorate-General REGIO with the other operational DGs concerned and support from the Internal Audit Service will prepare a Communication by March 2004. | DG REGIO (chair), other operational DGs concerned, IAS / March 2004 |
| 3.3.3. | Audit Progress Committee | The Audit Progress Committee should be able to have an overview of internal controls systems through the work of internal and external auditors . | APC / continuous task starting |

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| | Audit overview | | immediately |
| 3.3.3. | Audit Progress Committee organisation | Regarding its organisation, it is noted that the Audit Progress Committee will maintain its current composition and role while stepping up the rhythm of its meetings and contacts with the European Court of Auditors. The Commissioner responsible for the budget will continue to pass the Committee's chairmanship to another member when audits specifically concern the services under his/her responsibility. This principle will also apply to the other members. Besides, a second external member will join the Committee from 2004 onwards to enhance its expertise. Finally, the APC secretariat will be located in the Secretariat-General. | APC / continuous task starting immediately |

ACTIVITY BASED MANAGEMENT / STRATEGIC PLANNING AND PROGRAMMING

| Réf. Synthèse | Task / (New/ongoing) Action | Description | Responsible / deadline |
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| 5.3.5. | Ongoing Action "Work Programme implementation" | The Secretariat-General will strengthen monitoring of the implementation of the 2003 Legislative and Work Programme, namely by taking into account the renewal of the European Parliament in 2004, and the consequences that this will have on the current levels of implementation. | Secretariat-General / continuous task starting immediately |
| 3.3.2. | management risk assessment | Guiding resource decisions through management risk assessment: the question needs to be addressed. The Commission will consider how to make risk assessment a more visible factor to be taken into account in preparing management plans and making resource allocations | Secretariat-General, DG BUDG, IAS / continuous task starting immediately |
| 5.3.1. | Ongoing Action "Human resources" | <p>A. DGs and services will be requested to prioritise their activities in their Annual Management Plans starting from 2004. In allocating their resources internally, they are requested to ensure adequate staffing for units that are specifically dealing with internal control and audit matters. Furthermore, in accordance with the Code of Conduct for Commissioners and Departments, the Director-General and the Commissioner concerned will identify actions that may not be carried out. Accordingly, and based on an overall management risks assessment, resources could be further redeployed amongst services towards priority initiatives notably those contributing to the Commission's strategic objectives. The outcome will be fed into the Commission's Annual Policy Strategy.</p> <p>B. DGs are also requested to identify training and recruitment needs to fill vacant posts for financial management, internal control and audit activities, and to communicate these to DG for Personnel and Administration by September 2003. On the basis of this assessment as well as on the basis of the strategic training framework and individual training maps, Directorate-General for Personnel</p> | <p>A. All DGs / regular task starting in January 2004</p> <p>B. All DGs / September 2003</p> <p>DG ADMIN / end 2003</p> |

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| | | and Administration will review the situation of scarce skills. On this basis, a communication to the Commission will report before the end of 2003 on the situation, the actions taken, and the measures proposed to improve the level of specific expertise (e.g. financial management and control). | |
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AAR METHODOLOGY

| Réf. Synthèse | Task / (New/ongoing) Action | Description | Responsible / deadline |
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| 4.4. | AAR Methodology | The guidelines for Annual Reports 2003 should further clarify that: <ul style="list-style-type: none"> – Reservations should always be supported by concrete evidence; – the impact of reservations on the specific assurances required in the declaration should always be made explicit; – the materiality criterion used to assess whether an issue should be subject to a “reservation” should always be properly explained; – the agreed standard wording for the declaration should always be used; – reservations carried over from the previous exercise should not be included simply to report on the state of progress without consideration for the actual impact on the assurances. | Secretariat-General / December 2003 |
| 5.4.6. | New Action “Follow up by services” | DGs and services will incorporate the necessary action plans into their management plans and will regularly monitor their implementation. | All DGs / continuous action starting immediately |

ACQUIS

| Réf. Synthèse | Task / (New/ongoing) Action | Description | Responsible / deadline |
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| 5.4.4. | New Action “Community Acquis” | <p>A. The Legal Service will monitor, in co-operation with DG Enlargement and with the assistance of the Office of Publications, the progress in translation of the acquis by the new Member States and will set up an appropriate updating mechanism for the list of the acquis. It will regularly report to the Commission on the progress from September 2003 onwards.</p> <p>B. The Secretariat-General will design a process for overseeing implementation of the <i>acquis</i>. This exercise will be carried out in close co-operation with all DGs and services concerned. It will focus namely on the most sensitive provisions and should enable the Commission to launch the appropriate actions in due course taking into</p> | <p>A. Legal Service, DG ELARG, Opoc / continuous action starting immediately</p> <p>B. Secretariat-General / continuous action starting immediately</p> |

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| | | account the results of the monitoring report to be adopted in October 2003. | |
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Follow-up of the action plan of the Synthesis of the 2001 Annual Activity Reports

A) Cross cutting political issues

| 2001 Action | Description | Status |
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| Action 1 | As far as research programmes are concerned, the Commission will adopt before end of 2002 a detailed action plan addressing the complexity of financial management of indirect actions through simplification and enhanced consistency between the different systems currently in place and through improved contract management. | Completed / follow-up action to be launched. The Commission adopted in January 2003 an action plan providing general measure, such as the establishment of an interservice group to address weak points in the management of research projects, and specific actions were proposed with reference to the 5 th and the 6 th framework programmes (Better general co-ordination, fostered contract management, more effective audits and controls, sanctions). However, these measures will only produce concrete effects from 2003 onwards (see point 5.3.4. of the present Synthesis for follow up action). |
| Action 2 | The Commission has noted the necessity to examine the scope for synergies between the services involved in External Relations. Relex Commissioners, in agreement with the President and Vice-President Kinnock, should re-examine before the end of the year how the resources and structures of DGs Relex, Development and EuropeAid can best be organised in the longer term in order to serve Relex Commissioners in the conduct of their portfolios, which remain unchanged. In this context the Commission will also assess and make transparent the risks linked to external and communicate any major conclusions to the other institutions; it will also carry out an evaluation of the operation of the devolution exercise next year. | On-going action. The competent Commissioners have decided to keep the current organisation as it is in order to give more time to the reform of the external aid to bring all its fruits and not to prejudge the decisions that will be taken by the new Commission on this issue. As to the assessment of the risks linked to external aid and the evaluation of the devolution, the corresponding exercise will be carried out in 2003 (see point 5.3.6. of the present Synthesis). |
| Action 3 | The reservations in the field of nuclear safety will be addressed before the end of the year through a package of proposals to create an operational legislative framework for the identification of EU safety standards and the preservation of decommissioning funds, and by looking carefully at the way in which nuclear expertise is shared among the competent services. | Partially completed / follow up action to be launched. The Commission adopted on 30 January 2003 two proposals for Directives (Euratom), which are currently examined by the legislative authorities. As to optimising the nuclear expertise within the Commission, a series of measures has been adopted by the Commission on 26 June 2002. Moreover, the interservice nuclear co-ordination group analysed in December 2002 the state of the nuclear expertise at the Commission. The remaining need of competent staff in charge of control of the nuclear safety in the member states will be addressed under point 5.3.1 of the present Synthesis. |

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| Action 4 | <p>The Commission will seek to clarify with the Council its share of responsibility in meeting the objectives established for the shared management of the Structural Funds. The Commission will also make proposals in order to align its monitoring and control powers to its responsibilities.</p> | <p>On-going action. On 7 October 2002, proposals were submitted to help tackle the delegation risk inherent to shared management. These included information and support by the Commission to its partners in the Member States; guidance and response to queries during the implementation of policy objectives; monitoring of progress on-the-ground; evaluation of results achieved and audit the legality and regularity of payments. The perspective of formal declaration of assurance to be given by Member States appears to be not acceptable for the time being. New orientations concerning the next programming period starting 2007 will be provided by the Commission in the 3rd report on cohesion due to be adopted by end 2003.</p> |
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B) IMPLEMENTATION OF THE REFORM

| 2001 Action | Description | Status |
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| Action 5 | Regarding the lack of human resources with respect to the implementation of the Reform, the Commission will pay attention to the needs expressed by Directors-General in their Annual Reports in the context of the next strategic planning and programming cycles. | <p>On-going action. As a first step, a note on the methodology for the allocation of human resources was sent to all Directors-Generals in October 2002. The 2004 APS decision, adopted on 5 March 2003 (COM(2003) 83), states that the posts freed by the early retirement scheme for the years 2002, 2003 and 2004 will be used for the implementation of the reform.</p> |
| Action 6 | Regarding the continued implementation of the Reform, the Secretariat-General will, in close co-operation with the DG for Budget and the DG for Administration, review the co-ordination mechanisms between the central services with a view to improving the guidance and advice provided to operational services. In addition, the Secretariat-General will prepare a detailed ABM Guide by October 2002 and will assist services in the preparations of their Annual Management Plan for 2003. | <p>Completed. Regarding co-ordination the Commission decided in September to request the ABM Steering Group to actively co-ordinate all reform-related questions with a strategic or political character, covering ABM, human resources issues and budgetary and audit aspects. By the same decision, the role of the Directors-General Group was consolidated and two co-ordination Groups at Director level (the Resource Directors Group and the Interservices co-ordination Group). Moreover, work progressed on Service Level Agreements amongst services. The Secretariat-General developed a detailed ABM guide with a user-friendly online version and a best practice website. To assist services in the preparations of their Annual Management Plan for 2003, the Secretariat-General set up a support desk for each service and organised 36 ABM seminars.</p> |
| Action 7 | An inter-service working group will be mandated to co-ordinate the interoperability of existing management information systems. This group will establish by November 2002 an action plan and supervise its execution. | <p>On-going action. The "e-Commission interoperability" project was initiated in June 2002. A draft action plan on interoperability of IT systems, addressing organisational, technical and methodological issues, was established by the interservice group in December 2002, finalised in January and presented to the Resources Directors in February 2003. A Commission communication on interoperability is foreseen for the second half-year 2003.</p> |

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| Action 8 | DG for Budget, in collaboration with the Secretariat-General, will provide enhanced support and practical guidance for the standards covering sensitive functions and supervision, which are considered as very important for a smooth functioning of the Commission services, before the end of 2002. | On-going action. On sensitive functions (internal control standard 5) draft guidelines have been established and were sent to DGs in May 2003. Regarding supervision (internal control standard 17), a guide, adopted in 2002, has been distributed to all Directorates-General and Services. |
| Action 9 | All Commission services will give particular attention in 2002 to the design and documentation of internal control procedures, in particular those financial procedures aimed at preventing errors and detecting irregularities and the recording of exceptions. | Completed. The exercise of conceiving and documenting internal control procedures has been launched by all services. In particular, the readiness assessment evaluation (see Action 11) allowed each Directorate-General and Service as well as the Commission as a whole to carry out the in-depth analysis required by this exercise. |
| Action 10 | The Secretariat-General, in collaboration with DG for Budget, DG for Personnel and Administration and the Internal Audit Service, will review and enhance before end of 2002 the methodology and guidance for producing the Annual Activity Reports for 2002. | Completed. On 21 January 2003, the Commission adopted the ABM communication (COM(2003) 28), which also covers the preparation of the Annual Report and provides the services with new guidelines on de declaration of the authorising officer by delegation and, the concept of reservation, the hand-over between Directors-General and the question of the cross-delegations. The draft of these new guidelines had already been communicated to the services in the Annual Report circular in December 2002. Other actions, in particular a peer review of the draft reservations, have continued to assist services before the finalisation of their 2002 Annual Report. |
| Action 11 | In advance of the new Financial Regulation, Directors-General and Heads of Service will evaluate by November 2002 the degree of assurance on the readiness of the internal control systems in place and the Commission central services will undertake the necessary measures to support them in this regard. Tools will be continued to be developed to assist Commission services in adapting their existing controls systems to meet the new requirements and an extensive training programme will be developed to support the process. | Completed. In September 2002, a " <i>Process Handbook</i> " giving guidance to the services on how to evaluate their degree of readiness for the implementation of the new Financial Regulation was circulated to the Directorates-General and Services. It served as a basis for the readiness assessment performed by them. A synthesis thereof was adopted by the Commission on 17 December 2002 (SEC(2002) 1362). A temporary help-desk has been set up to give assistance to the services on specific questions. The Directorate-General for Budget provided detailed training to Commission personnel on the specific requirements of the new Financial Regulation. |

C) HORIZONTAL MANAGEMENT THEMES

| 2001 Action | Description | Status |
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| Action | DG for Budget, in collaboration with | Completed / follow up action to be launched. |

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| 12 | DG for Personnel and Administration and the concerned services, will analyse the problems arising from shared management by March 2003. It will make a proposal to the Commission on the scope of the responsibilities of the Authorising Officer in each domain where shared management applies. | A communication on this issue has been developed in conjunction with the services concerned, aimed at clarifying the role of Directors-General in the shared management within the legal framework currently in force and the scope of their responsibilities (C(2003)1830). In parallel, specific requirements have been given to the Directorates-General and Services on how they should deal with this issue in the context of the 2002 Annual Activity Reports. This should moreover be completed by concrete steps to promote a convergence of audit methodologies, an analysis to identify possible improvements in terms of share management responsibilities, mainly including an examination of the concept of certification, assurance declaration and disclosure statement by the Member States (see point 5.3.3. of the present Synthesis). |
| Action 13 | The Commission will ensure that, before 1 December 2002, the responsibilities of the key actors in audit and control are clarified in accordance with the stated principles of the Reform White Paper and the new Financial Regulation, best practice and internationally accepted principles of good governance. | Completed. On 21 January 2003, the Commission adopted a communication (SEC(2003) 59) which, among others, included clarification of the responsibilities of key actors regarding Audit and Control, including aspects related Annual Reports and sets out the Central Financial Service to provide an overview of internal control with effect from 2004 onwards. The role of Resource Directors in this regard at the level of the Directorates-General and Services is being strengthened. |
| Action 14 | DG for Personnel and Administration will review as soon as possible in 2002 profiles for new recruitment's needed by services in financial management and related issues and launch additional open competitions as appropriate. In this respect, DG for Personnel and Administration will draw up a plan to be executed by the new personnel selection office, EPSO, as from early 2003. As an interim measure, the recruitment of temporary agents on vacant permanent posts will be extended up to the point at which sufficiently long reserve lists for the related competitions will be exploitable. | Completed / follow-up action to be launched. With a view to establishing a multi-annual programming of competitions the Directorate-General for Personnel and Administration (DG ADMIN) started a detailed analysis of the profiles for new recruitment's needed by services and has submitted a first request for a series of competitions to EPSO for launch in late 2003. In the meanwhile, the practice of recruiting temporary staff on permanent posts could be extended until the adoption of the foreseen amendments of the Staff Regulations. Nevertheless, further efforts will be done to address properly the lack of certain expertise as explained under point 5.3.1. of the present Synthesis. |
| Action 15 | DG for Budget will provide the necessary training for staff on financial management as well as training specifically geared to the implementation of the new Financial Regulation. | Completed. Professional training on financial rules and procedure has been carried-out all the whole year 2002. Moreover, 31 information sessions on the new Financial Regulation has been organised in autumn 2002, with an attendance of 2730. A comprehensive training program has been adopted for 2003, covering specialised courses (public procurement, grants, recoveries...) and ad-hoc sessions at the request of the services. |
| Action 16 | The Commission will, by the end of 2002, adopt and communicate to the other Institutions a coherent implementation plan for the | On-going action. A communication on the modernisation of the Community accounting framework was adopted by the Commission on 17 December 2002 (COM(2002)755), |

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| | modernisation of the accounting framework, including the progressive evolution towards an accrual accounting basis. | which provides in particular for the move to an accrual accounting system for the financial year 2005, according to the new Financial Regulation. Monitoring and regular information of the Commission on this subject will be carried out (see point 5.3.7. of the present Synthesis). |
| Action 17 | The Commission will adopt by the end of 2002 a communication with the strategic orientations for the future core financial information systems. When fixing the project plan, absolute priority will be given to three aspects: avoiding inconsistencies through redundancy of data and applications, enhancing further the security controls and audit trail provisions in the system and implementing the new Financial Regulation by 1 January 2003. | On-going action. Strategic orientations for the future core financial information systems was also dealt with in the Commission communication of 17 December 2002 on the modernisation of the accounting framework, mentioned above (See Action 16). It sets out in particular the action to be taken as regards project organisation, resources and the timing of the work to develop an integrated computerised system. According to point 5.3.7. of the present Synthesis, the Commission will be kept regularly informed on progress made. |
| Action 18 | The missing or inadequate action plans will, by September 2002, be included in the Annual Management Plans for 2002. These action plans, like the other action plans, will be translated into the Annual Management Plans for 2003 as appropriate. Progress will be monitored by the Commissioner responsible and will be reviewed in the next Annual Report exercises. | Partially completed / follow-up action to be launched. In September, a note was sent to all Directors-Generals reminding all services of their obligation to implement the Synthesis action plan and to keep the Secretariat-General informed. A follow-up, in the form of exchange of information, has also been conducted through the ABM/SPP Network and the Network of the Financial Units (RUF). Moreover, virtually all services reported in their 2002 Annual Activity Reports on the state of implementation of action plans drawn up to remedy the 2001 reservations and, where applicable, observations. As explained under point 5.1 of the present Synthesis, further improvements are needed to ensure the proper monitoring of the individual action plans by the services. A specific action focusing on the need for improving the monitoring of action plans is foreseen in the present Synthesis (see point 5.4.6) |