Commission action plan towards an integrated internal control framework

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PURPOSE: to present a report on the Commission Action Plan towards an Integrated Internal Control Framework.

CONTENT: when it entered office, the current Commission fixed a strategic objective of aiming for a positive declaration of assurance from the European Court of Auditors. To support this, it adopted in January 2006 the "Action Plan towards an Integrated Internal Control Framework" (see COM(2006)0009), drawing on recommendations by the Court of Auditors, the European Parliament's 2003 discharge resolutionand the ECOFIN conclusions of 8 November 2005.

The Action Plan addressed 'gaps' in the Commission's then control structures and identified 16 areas for action by end-2007. In its interim progress report in March 2007 (see COM(2007)0086), the Commission outlined progress and announced some additional actions.

In the two years since the 16 actions were launched, 7 have been completed, 6 are substantially complete and 3 could not be implemented or are being taken forward in other ways. The report presents a table giving an overview of the status of each group of actions and a first impact evaluation:

- Simplification and common control principles (actions 1-4): the situation was 100% positive in February 2008;
- Management declarations and audit assurance (actions 5-8): the situation was 80% positive on the same date;
- Single audit approach: sharing results and prioritising cost-benefit (actions 9-11): the situation was also 80% positive;
- Sector-specific gaps (actions 12-16): 80% positive on the same date.

The table highlights that the Commission has met the ambitious Action Plan timetable, ending on 31 December 2007. The actual impact on error rates will only become perceptible at a later stage as the actions taken begin to have an impact on underlying control systems.

The Action Plan was designed to provide the foundations for a **positive** DAS. The completed actions have clarified and strengthened the internal control framework for Community programmes. Actions not yet closed will be completed in 2008.

The **principal incomplete actions** are:

- action 7, the development of "agreed upon procedures" in education and culture was postponed to 2008 due to updates of DG EAC's audit methodology. This work will be completed by December 2008;
- action 10, the collection of data on costs of control in agriculture and the structural funds has been completed and analysis is underway. The results will be reported in a Communication in October 2008;
- action 11N, modifications to ABAC in February 2008 will allow clear tracking of multiannual recoveries from 2008 on;

- action 16, a sampling guide for Commission services, as well as a specialist sampling guide for the Structural Funds, will be made available in Summer 2008. The revised structural funds audit manual will be completed during the year to take account of the new regulations.

Still too many errors: despite the actions already taken, the Court is still finding too many errors in some areas. In the 2006 DAS, structural actions delivered through Member States and external aid managed by implementing organisations received a "red" assessment from the Court. As the Court indicated in its "single audit opinion", a sound understanding of risk and the costs and benefits of control is vital in defining control strategies and evaluating their results. The Commission will prepare a Communication for October 2008 on the costs and benefits of control systems and the analysis of residual risk which DGs for whose policy areas the Court of Auditors' assessment is "red" are required to include in their 2007 Annual Activity Reports. Early in 2009 the Commission will prepare a further impact assessment as at 31 December 2008.