Reforming the Commission: action plan, aspects concerning the Committee on Budgetary Control. White Paper

2000/2215(COS) - 27/01/2004

PURPOSE: the presentation of a Commission Action Plan to follow up the recommendations of the Court of Auditors in its Annual Report relating to the 2002 budgetary year.

CONTENT: The White Paper on Reform highlighted the need to make financial actors accountable and responsible in order to increase the effectiveness of Commission activities. The Commission announced that it would present an Action Plan as part of the 2001 discharge. The purpose of this document is to indicate the corrective measures required to follow up the recommendations of the Court of Auditors as well as the impact expected from these measures.

This Action Plan is based on the Commission's replies to the Annual Report of the Court of Auditors relating to the 2002 financial year, with updates and additional information provided by the Commission's departments. It examines the measures to be implemented sector by sector to improve the Commission's financial management and thus obtain a satisfactory statement of assurance (DAS).

- As regards improvement of the **reliability of the accounts,** the Commission has established an Accounting Standards Committee which is examining, among other things, the issues of defining the generating event giving rise to accounting entries in a way which allows it to maintain control over the process and of defining without ambiguity a recording base which remains comparable over the years. The Commission is also improving its mechanism for the identification and recovery of debts and has undertaken a review of all commitment balances which have remained open for an extended period in order to identify overdue payments.

- As regards **budget implementation,** the Commission is endeavouring to ensure realistic budgeting of payment appropriations. By continuing to put the emphasis on the budget implementation plan relating to the current financial year, including followup, review and revision in the course of the budgetary decisionmaking procedure, it expects a gradual improvement of the budget forecasts for the PDB. This also includes an assessment of whether low spending in the past should lead to lower budgeting (or the reverse).

- As regards **the common agricultural policy,** on export refunds, the Commission has already taken several measures. Five regulations were adopted to address the main weaknesses concerning the prefinancing regime. Concerning the way it sets export refunds, the Commission has introduced a comprehensive action plan covering horizontal issues. The improvements concern the Commission's decisionmaking procedures. The Commission will also assess the market organisation for **beef** in 2004 /2005 and will analyse the impact of the various instruments available in this sector.

- For **structural operations,** the systems of fundamental importance in ensuring the supervision and control over the implementation of the Community budget for structural actions are those governing the areas of shared management with the Member States. For the closure of 199499 interventions the Commission is obtaining assurance on the regularity of expenditure from its already completed audit work and from the desk checks being undertaken on closure statements. It will verify the reliability of the closure process in Member States by audits of a sample of programmes and will draw the necessary financial consequences where appropriate by making recoveries from Member States. Concerning the

current 20002006 period, from the work the Commission has carried out it has been able to conclude that Member States have in general made significant steps in improving their systems. However, further improvements are necessary, and the effective functioning of the systems should be regularly verified.

- In the area of **internal policy**in general and more particularly in the area of research, the Commission welcomes the Court's recommendations. These are the subject of action plans drawn up on the basis of its own observations. The implementation of internal control systems as part of the reform is being followed up particularly closely, and the strengthening of checks on beneficiaries is continuing within the framework of a coordinated action for research consecutive on Action 1 of the 2001 summary report of the annual activity reports.

- As regards **external actions**, the establishment of a methodological framework and of an audit strategy will be continued in 2004 within the 2004 annual audit plan. Priority will be given to finetuning a risk assessment model, setting up a clear organisational framework for auditrelated tasks at headquarters and in delegations, completing the auditrelated information system, and training. Moreover, instructions are being drafted in order to improve the quality and content of reports by Delegations and Directorates on the management of external assistance.

- For **administrative expenditure,** the Commission has analysed the risks and weaknesses of the internal control system and adopted an action plan for its further improvement. The recommendations of the Court regarding surveillance systems have been taken on board. An evaluation report on the management of leave and absence already produced will be discussed by management so as to identify the necessary measures to be taken.

- For the **EDF**, the Commission continues its efforts to meet the recommendations regarding the reinforcement of internal controls, the various aspects of financial management of the EDF highlighted in the Court’s Annual Report, such as the speed of closure of dormant commitments, the better identification of budgetary support measures in EDF accounts, and the inclusion of the EDF in the modernisation of the Accounting System of the Commission.

- Regarding the **ECSC**, the Commission will study the possibility of setting up in the field of revenue from research, an inventory of patents filed by firms and research institutes which have received ECSC funding.