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**COMPLETING THE REFORM MANDATE:  
PROGRESS REPORT AND MEASURES TO BE IMPLEMENTED IN 2004**

## TABLE OF CONTENTS

1.	Introduction .....	3
2.	Progress in Implementing the White Paper .....	3
2.1.	The 98 White Paper actions .....	3
2.2.	Creation of a culture based on service .....	4
2.3.	Strategic Planning and Programming and policy coordination.....	5
2.4.	Personnel Policy .....	7
2.5.	Internal Control and Financial Management.....	10
3.	Implementing Reform in 2004 .....	12
3.1.	Strategic Planning and Programming.....	12
3.2.	Personnel Policy .....	13
3.3.	Internal Control and Financial Management.....	14
4.	Measures to be taken in the wake of the Eurostat crisis.....	14
4.1.	Revision of the code of conduct governing relations between Commissioners and services .....	15
4.2.	Treatment of and follow-up to allegations relating to fraud, irregularity and other reprehensible acts .....	16
4.3.	A reinforced framework for communication in the domains of internal control and internal audit .....	17
4.4.	Whistleblowing .....	18
5.	Monitoring Reform .....	21
5.1.	Indicators .....	21
5.2.	Internal Control Systems .....	21
6.	Summary and Conclusion .....	22

## **1. INTRODUCTION**

In January 2003 the Commission adopted a Progress Review of Reform<sup>1</sup>, which fulfilled the mandate given by the White Paper of March 2000 to publish a full review of progress. This report demonstrated that in less than three years the Commission had fulfilled the majority of commitments made in the White Paper. It showed that the first phase of reform – focussing on the introduction of structural and procedural changes and the proposal of legislation – was near completion while the second phase – consisting mainly of implementation - was underway.

It also highlighted the fact that 2003 would be a demanding year for Reform. The entry into force of the new Financial Regulation on January 1<sup>st</sup> required a shift to decentralised controls. The implementation of the new staff appraisal system and the pursuit of intensive negotiations on the revision of the Staff Regulations imposed a considerable workload and an inevitable degree of insecurity on staff. Moreover, it confirmed that Reform is a *process* of change and discovery where new issues are identified through the experience of implementation.

The present report focuses on the main progress achieved in implementing reform in 2003 and the outlook for 2004. It also shows that Reform can succeed only if its implementation continues with undiminished vigour. With the exception of the annexes to this report, the report does not repeat the specific information provided in previous progress reports, because virtually all of the 98 White Paper actions are implemented. It therefore deals in more detail with some of the issues highlighted in January 2003 and the lessons learned from the experience of implementing reform last year. In particular, due to the importance of the dossier and its relationship with the reform project, this report describes the measures that must be taken as a follow-up to events at Eurostat. This report also provides detail about the administrative preparations for the forthcoming enlargement.

The report describes in chapter 2 progress in the implementation of the four strands of Reform contained in the White Paper. Chapter 3 contains an outlook for Reform in 2004. Chapter 4 describes in detail the measures to be taken by the Commission in the wake of the Eurostat crisis.

## **2. PROGRESS IN IMPLEMENTING THE WHITE PAPER**

The March 2000 White Paper structured the Reform initiative into four main pillars: a culture based on service, strategic planning and programming, personnel policy, and internal control and internal audit. This chapter first provides an analysis of overall implementation of the White Paper actions and subsequently summarises progress made in 2003 in each of the four pillars.

### **2.1. The 98 White Paper actions**

A global assessment of the implementation of the 98 actions (see Annex 1) announced in the March 2000 White Paper shows that the Commission has fulfilled its commitment to finish the job of implementing the White Paper. The Commission announced in January 2003 that 87 out of the 98 White Paper actions were completed.

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<sup>1</sup> COM(2003)40 final.

Of the 11 actions that were incomplete at the beginning of 2003, only two and a half remain to be fully completed (see Annex 2). A central invoice register foreseen in Action 11 of the White Paper was made available to services, and the action will be completed in the first half of 2004 in the framework of the modernisation of the accounting system.<sup>2</sup> Also linked to the introduction of a modernised accounting system is the contracts database foreseen in Action 74 of the White Paper, which will also become fully operational during this year. Finally, with regard to Action 9, the first component – to propose changes to the EU legislative framework allowing use of electronic public procurement and transactions – has been completed, while the second component – to review the Commission's internal practices and encourage use of electronic signatures – is not yet fully done.

## **2.2. Creation of a culture based on service**

As underlined in the last progress report, one of the aims underlying the action plan presented in the White Paper was to improve the Commission's relations with the public while at the same time achieving a more service-oriented culture inside the Commission. Good progress has been made in both the external and internal fields.

### **Responding to the public**

Demonstrable improvements to the Commission's efficiency in dealing with the public and concrete steps to increase transparency have already been reported on, and the picture in 2003 shows the Commission to be steadily improving its performance. For instance, the Commission's ability to meet payment deadlines has continued to show improvements in 2003, as the average number of days to make a payment decreased from 54 in 1999 to 43.7 in 2002 and is now down to 42.9 in 2003. Implementation of the Code of good administrative behaviour has further increased the Commission's ability to respond to the public within the set deadlines: in 2003 between 80-90% of public mail was replied to within the standard deadline, compared with 70% in 2002. For the first time, a detailed online directory of Commission services is now available to the general public.

There has been a strong increase of the number of applications from members of the public for access to Commission documents. Despite this increased demand, the rate of positive responses remains stable at around two thirds. The Regulation concerning the opening to the public of the historical archives of the EC and the EAEC has been amended in order to align it with the Regulation regarding public access to documents. The scope of the access Regulation has further been extended to the Agencies. The public register, set up in 2002, now also includes the agendas and minutes of Commission meetings. At the end of 2003, a new register, covering the work of the committees assisting the Commission in decision-making, was opened to the public.

### **Improving European Governance**

Administrative reform is contributing to the objective of improving European governance. In particular, the changes foreseen in the Commission's June 2002 Action Plan on Better Regulation, e.g. establishing principles and minimum standards for consulting the public, and establishing guidelines for the collection and use of expert advice, have now been detailed and are progressively integrated in the working methods of the Commission<sup>3</sup>. Also, the

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<sup>2</sup>Work on activities and the timetable necessary to fully integrate activities of Community Delegations in third countries is ongoing.

<sup>3</sup> COM(2002) 275 and COM(2002) 278

commitment to conduct Impact Assessments for all major legislative and policy initiatives has been fully embedded in the Strategic Planning and Programming (SPP) cycle, and the gradual implementation has started with the Commission Legislative and Work Programme for 2003. The Commission has furthermore introduced new measures to improve the management of infringements procedures for failure to comply with Community law. These measures will in turn contribute to fulfilling the Commission's commitments under the Inter-Institutional Agreement on "Better Lawmaking" which was signed in December 2003.

### **Simplification of procedures and working methods**

Simplification of procedures and working methods is inherently an on-going element of reform and has developed beyond what was envisaged in the White Paper. An Interim Action Plan of 12 measures was successfully concluded. A major overhaul of the Commission's Manual of Operating Procedures was also completed in 2003. Moreover, in 2003 three quality circles completed their work. These cover ways of simplifying the rules on document signature; the wider application of service level agreements (SLAs) between central departments and operational services; and the procedures for welcoming and integrating new officials. Work on empowerment rules in the external relations field is ongoing and should be completed shortly. All the relevant documentation concerning simplification is made available to Commission staff on an internal website which is also a tool for feedback and suggestions from staff.

#### **Highlights in 2003**

- Payment delays continue to decrease from 54 days in 1999 to 43.7 in 2002 and 42.9 in 2003.
- Positive response rate to public enquires for access to documents remain stable at around two thirds despite increase in number of enquiries.
- Impact assessments for policy proposals successfully introduced as a new procedure in the Commission.
- The Commission's Manual of operating procedures completely updated and put on line in December 2003

### **2.3. Strategic Planning and Programming and policy coordination**

#### **The functioning of the SPP Cycle**

In 2003 the cycle of *Strategic Planning and Programming* (SPP) was fully operational for the first time and reached its 'cruising speed' using consolidated Activity-based management and budgeting tools developed from 2002, year of creation of the SPP function in the Commission.

The main achievements in 2003 were the following:

- The Annual Policy Strategy (APS) was adopted for the third time. The key challenge of the APS 2004 decision was to foresee the needs for human resources within the context of enlargement, and to redeploy a substantial number of staff towards the set priorities
- The inter-institutional aspects of the Commission's Annual Policy Strategy process were more fully developed. A constructive inter-institutional dialogue with the European Parliament was held. Also, the APS 2004 decision included a re-enforced multi-annual

policy dimension which served as a basis for a detailed Commission input into the drafting of the Council's Multiannual Strategic Programme 2004-06.

- The SPP cycle has put policy priorities at the heart of the decision-making process, including resource allocation. Managers are required to focus on the need to deliver on priority objectives and to report on achievement and performance. While these are positive developments, 2003 also made it clear that work is still needed to further embed SPP in the administrative culture. It remains important to strike the right balance between new and ongoing activities. Delivery of the Commission's Legislative and Work Programme was below expectations and must be improved.
- The 2004 Budget was examined and developed for the first time in accordance with the Activity-Based Budgeting nomenclature, following the structure by policy area and activity used by all Commission's services as the reference structure of their annual management plans

The structure and content of the Annual Management Plans (for 2004) were consolidated and simplified in 2003 to focus on the essential elements and functions. An important objective is to ensure that proper monitoring of the objectives and activities can be carried out, covering in particular the follow up of action plans identified in the annual activity reports and the corresponding synthesis.

### **Policy co-ordinating mechanisms**

The Commission has taken steps to improve co-ordination between its services with the aim of reinforcing the central steer given to the substance of reform-related policies and their implementation.

The ABM Steering Group, which is chaired by the Secretary General and brings together Directors General and cabinets from central services, coordinates political and strategic questions related to Reform. The Directors General Group is responsible for ensuring consistent implementation of Reform and other policies. In addition to these groups, a Commission decision in October 2002<sup>4</sup> led to the creation of two new co-ordinating structures, the Group of Resource Directors<sup>5</sup> and the Interservice Co-ordination Group<sup>6</sup>. This means that presently four permanent high-level interservice groups serve the purpose of increasing coherence and co-ordination among the services, facilitating better forward planning, providing a forum for constant feedback and helping to reduce the workload for services. For more detail on their activities during 2003, please refer to Annex 3.

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<sup>4</sup> Communication on Delivering Reform and Improving Interservice Co-ordination, SEC(2002)1040.

<sup>5</sup> "For the delivery of administrative reform, resource directors should be brought together in a more structured way to discuss the detailed issues that require attention and ensure that the needs of operational services are being taken into account." (SEC(2002) 1040/2, page 1).

<sup>6</sup> "Interservice cooperation on policy implementation should be improved through an intermediate structure to review agenda planning, identify issues requiring particular attention and oversee in a co-ordinated way the work of ad-hoc groups dealing with specific issues." (SEC(2002) 1040/2, page 1).

### **Highlights in 2003**

- The process of gradual introduction of Activity-Based Budgeting comes to an end providing a more transparent and easily comprehensible budget.
- Consolidated Activity-Based Management tools for planning, monitoring and reporting are now used across Commission services
- Coordinating mechanisms in the Commission are streamlined and consolidated in four interservice coordination groups.

## **2.4. Personnel Policy**

As announced in the 2003 Progress Review of Reform, by the end of 2002 the Commission had issued comprehensive proposals to modify the Staff Regulations and begun to implement actions that could be carried out under the existing regime. 2003 was therefore the crucial year for implementation of the range of personnel reforms foreseen by the White Paper as well as intensive negotiation of the revised Staff Regulations. A key challenge for implementation was the first exercise of the new staff appraisal and promotion system. Negotiations paved the way for entry into force of the new Staff Regulations on 1st May 2004, which are now in the final stages of the legislative procedure in the Council and European Parliament. Their adoption will complete the picture of personnel reform allowing the coherent human resource policy developed during the reform process to take full effect. Taking place at the same time as the historic forthcoming enlargement, this will allow the Commission to recruit new colleagues into a stable framework of modernised rules including a new, more linear career structure.

### **Staff Regulations**

Negotiations on the revised Staff Regulations saw the achievement of a major breakthrough in 2003: political agreement was reached in the Council on 19<sup>th</sup> May on an overall package focusing on pay, pensions and careers, and establishing the target date of 1<sup>st</sup> May 2004 for entry into force of the new Staff Regulations. Following this, several other important milestones were achieved. It was possible to launch a dialogue between staff representatives, Member States and the administrations of all the Institutions, in the format of the Consultation Committee (CoCo). The CoCo conclusions were adopted by the Council on 29<sup>th</sup> September, which modified and added to the political agreement. This landmark was key to moving the dossier forward in line with the agreed timetable and in the framework of peaceful working relations and social dialogue. The Commission adopted its revised proposal to modify the Staff Regulations on 18<sup>th</sup> November and forwarded it to the Council, translating the outcome of the negotiations to date. Agreement was reached in January 2004 with the European Parliament regarding their priority issues, which should allow the Parliament to deliver its opinion on the final package within the agreed timetable. This signalled the end of negotiations on substance and initiated a process of verification by the Council and other Institutions, which needs to be finalised in early 2004.

The revised proposal remains close to the original proposal of April 2002. The more linear career structure has been safeguarded in its original form, upholding the aim of strengthening the principle of merit in the Institutions. Salaries remain at an appropriate level, while a

modernisation of the existing pension system was agreed to respond to the problem of ageing populations in Europe. Working conditions will be modernised as proposed by the Commission, to ensure greater flexibility and equal opportunities, while new measures on discipline and whistleblowing were agreed to ensure high ethical standards and provide clear rules in all the Institutions.

In order to implement the new Staff Regulations from day one, it is necessary to review all the existing detailed implementing rules, to update them where necessary and to formulate a certain number of new rules on new issues such as the right to part-time work in certain circumstances, and extended family and compassionate leave. This effort began in April 2003 and will be intensively pursued in early 2004 to allow entry into force of the necessary rules from the day the modified Staff Regulations take effect.

### **Managing enlargement**

In 2003 the Commission began recruiting auxiliary staff from the new Member States, thereby starting the process of integration of new colleagues. The budgetary authority has agreed to grant the posts requested by the Commission for 2004 in the context of enlargement. The year to come will therefore see the first intake of new officials as planned. It will be possible to assure the timely recruitment of permanent staff from the new Member States thanks to the launching in 2003 of a high number of competitions, organised on an inter-institutional basis by the European Personnel Selection Office (EPSO). These competitions were successfully launched in 2003. The first stage has already been finalised and the results are available. This unprecedented exercise demonstrated the benefits of the Institutions joining forces in the context of reform in order to cope with enlargement. It should be noted that, before successful candidates can actually take up their posts, the Council will need to adopt the Regulation on the derogation regime on geographical balance, which is currently being negotiated at political level.

### **New staff appraisal system**

As regards implementation of the elements of staff reform that can be carried out under the existing Staff Regulations, the Commission progressed in 2003 with the job of implementing decisions taken in 2001 and 2002. The first staff appraisal exercise based on the new Career Development Review system was implemented across the Commission in 2003 within the foreseen deadlines (with the exception of Delegations who faced problems of distance that have been addressed), and the promotion exercise for 2003 was carried out on the basis of the new appraisal system, as foreseen. This has confirmed the reinforced link between merit and career advancement in the Commission and increased the transparency of promotion decisions. It should be noted, however, that Commission services perceived the exercise as administratively burdensome, and difficulties with the quantitative marking system were encountered that have now been addressed. Justified criticisms have been taken on board in revising the details of the implementing rules, and the appraisal exercise is expected to address these difficulties effectively in 2004.

### **Mobility**

Regarding compulsory mobility for sensitive posts, in compliance with Internal Control Standard n° 5 the Commission set itself the objective of identifying all sensitive posts and of moving all jobholders occupying a sensitive post in the financial or personnel area for more than 7 years by the end of 2003. This unprecedented exercise has been energetically pursued and DGs are required to identify sensitive posts through the monitoring tool in place (Job



Information System). A report on the implementation of this operation, which has presented a number of practical difficulties, notably for replacing post-holders with a specialised profile, will be produced by end March 2004. As for non-compulsory mobility, the guidelines on mobility adopted in February 2002 have been steadily implemented while practical problems encountered on the way have been addressed.

## **Training**

Reinforced training geared to career development needs continued to be given a high priority in 2003. Overall, the average number of training days per official in the year was 8.32, showing an increase on 6.9 cited last January. 99% of the general training budget and 100% of the language training budget was committed. The general training budget, which increased steadily in 2002 and 2003 following a considerable increase of 63.6% in 2001, has been increased substantially by a further 37% for 2004.

The first annual Strategic Training Framework was adopted for 2003 to implement the Commission decision on Staff Training Policy of May 2002. It focused on the needs of the Commission as a whole and identified priorities. As a result, the central training catalogue was substantially extended, notably in the fields of management and financial administration, and particular courses were made compulsory for all staff or designated as pre-conditions for certain career steps. For the body of Commission staff, a new tool serving to identify individual training needs - the Training Map - formed an important element of the new staff appraisal system and was implemented in the 2003 exercise. Participation in financial training courses grew from around 3800 participants during 2001 to around 7100 participants in 2003, and in 2004 a range of new financial courses will be added to the 29 already on offer. Management training was designated compulsory for current managers as well as for future Heads of Unit, and around 500 officials participated in the two compulsory or conditional in-house management courses in 2003, while a number attended external management courses.

## **Middle and senior management**

Concerning middle management, a draft Commission Decision was approved by the college and will be consulted with staff representatives before final adoption foreseen in early 2004, which serves to clarify the role and position of Heads of Unit in the organisation, makes management training obligatory before the first appointment to a Head of Unit post, introduces a probationary period, and foresees more regular mobility and the possibility of re-assignment to a non-managerial post.

The pilot project for the performance appraisal of senior officials (Directors-General and Directors) was completed in 2003. This demonstrated the need to revise some of the central elements, and on this basis the final approach to be put to the college in 2004 will bring the system closer to the model that applies to other staff. Meanwhile, the test phase for assessment centres has been completed and these centres will be used in 2004 for the selection of external recruits including those from the new Member States. As regards the mobility of senior officials, in line with the Commission's commitments, no Director-General has been in their current post for more than 5 years. This compares favourably with the situation in September 1999, when 12 A1 officials had been in post for more than 5 years, 8 of which for more than 7 years. Since the present Commission took office, there have been 40 transfers between services at A1 level and 76 transfers at A2 level.

## **Equal opportunities**

In the field of equal opportunities, in December 2003 there were 39 female officials occupying A1 and A2 posts out of a total of 270, as compared with 35 out of 259 in December 2002 (14.4% compared with 13.5%). Further advances in the field of equal opportunities will be made possible with the entry into force of the new Staff Regulations, which in particular allow for more flexible working arrangements in order to make it easier for staff to reconcile professional and family lives.

### **Highlights in 2003**

- Negotiations on the Staff Regulations have been finalised pending verification of the legal text in the Council. There are no further obstacles on substance to their timely adoption.
- EPSO launched 32 enlargement competitions and completed the first phase, which should lead to sufficient numbers of available laureates by the end of 2004
- Officials dedicated on average 8.32 days to training
- The general training budget received an increase of 37%, and 99% of the general training budget and 100% of the language training budget were committed
- All 9 Commission Decisions adopted under the existing Staff Regulations to execute the personnel policy chapter of the White Paper have been implemented
- The first staff appraisal and promotion exercise based on the new system was carried out within the foreseen deadlines
- No Director General has been in their current post for more than 5 years

## **2.5. Internal Control and Financial Management**

### **The new Financial Regulation**

With the entry into force on 1 January 2003 of the new Financial Regulation and its Implementing Rules, the internal control system of the Commission has changed substantively. The new rules contain notably the abolition of the central ex-ante control and the redefinition of the role of financial actors in order to make them more accountable, the establishment of a legal framework for grants, the transposition of the Public Procurement Directives and a clear framework for budgetary execution.

A number of articles of the new Financial Regulation make specific reference to instruments and bodies introduced by Reform. Four outstanding issues with relevance to the implementation of the new Financial Regulation are: the new accounting system, financial liability of officials, the creation of a Financial Irregularities Panel and the provision of standard contracts.

The project to reform the accounting system moved ahead as planned in 2003. The project team was reinforced with 9 permanent posts and 5.5 auxiliary posts. The funds for external consultancy advice were mobilised and a framework contract was signed with external consultants. In addition, project processes for monitoring, reporting, risk management, change management, stakeholder involvement and quality management were formalised.

Financial liability of all officials is set out in Article 22 of the Staff Regulations, to which Article 66 of the Financial Regulation refers. The Commission adopted on 23 July 2003 a working document on the application of Article 22 which sets out the conditions for its

application as well as the procedure to be followed. The *concertation* process with Trade Unions and Staff Associations (OSP) started in November 2003 and is still ongoing.

By decision C/2003/2247 of 9 July 2003, the Commission set up the Financial Irregularities Panel foreseen in Article 66 (4) of the Financial Regulation, which functions independently and is charged to determine whether a financial irregularity has occurred and what the consequences should be. The search for Members of the Panel concluded in 2003. In February 2004, the former President of the European Court of Auditors, Mr. Jan O. Karlsson, was appointed chairman of the Panel.

Services were provided with a new Vade-mecum on Public Procurement, which will in its final version include standard models for individual and framework contracts for services and supplies. Standard contracts for services and for supply framework contracts were included in the Vade-mecum in 2003. The remainder of model contracts – a standard service framework contract, a supply contract and a low-value supply/service contract - are under preparation and will be adopted early in 2004. The Commission also adopted standard grant agreements in order to help services to apply the relevant provisions and to harmonize the terms of agreements to be established between Commission and beneficiaries.

### **Internal Control Decisions**

In addition to recommendations and requests by the discharge authority and the Court of Auditors, Annual Activity Reports and Declarations were the most important source for further development of the internal control system. The Synthesis Report on the 2001 Annual Activity Reports identified in its Action 13 a degree of uncertainty as to the respective roles and responsibilities of key actors in internal control and internal audit.

As a consequence, the Commission adopted a decision in January 2003 which requires DG Budget's Central Financial Service to provide an overview of internal controls across the Commission. The decision also asks Directors General to designate control "contact officers" (i.e. the Resource Director or equivalent) who would have an open communication channel with the Central Financial Service and provide it with the information required to establish the internal control overview. The IAS is required to comment on the draft Synthesis Report and to strengthen its support of the work of Internal Audit Capabilities.

In the wake of the Eurostat crisis, the subsequent Synthesis Report on the 2002 AARs required the Central Financial Service to update after six months its annual overview on internal control and to undertake the overview on a DG-by-DG basis. Further to an earlier decision that Commissioners and Directors General should have an ongoing dialogue about internal control<sup>7</sup>, the 2002 Synthesis Report specifies that Directors General should report to their Commissioner at least twice a year on the findings of internal audit and issues communicated to OLAF. In addition, the Commission asked Directors General to assess in the Autumn of 2003 their services' readiness to be compliant by the end of December 2003 with the baseline requirements of the 24 Internal Control Standards.

### **The Audit Progress Committee**

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<sup>7</sup> The annual reports and declarations required of Directors-General under the reform of the Commission (Action 82 of the White Paper) – SEC(2001) 857 : "Matters which will ultimately figure in the report must be presented and discussed during the ongoing dialogue between the Director-General and the Commissioner responsible throughout the year..."

The follow-up to recommendations by the Internal Audit Service is first and foremost a management responsibility. At central level, however, the Audit Progress Committee monitors progress in the implementation of audit recommendations. The Committee is chaired by the Commissioner for Budget and includes the Commissioner for Personnel and Administration and the IAS as well as two other Commissioners (Mrs. Reding and Mr. Vitorino) and an external expert in internal audit.

In reaction to comments by the Court of Auditors, the Committee has introduced procedural and structural measures to manage any possible conflict of interest. It decided that Members of the Committee would not chair agenda points concerning audits of services that fall under the responsibility of the Member concerned. In addition, the Secretariat of the Committee was moved from DG Budget to the Secretariat General.

#### **Highlights in 2003**

- New Financial Regulation enters into force.
- Accounting Reform project develops as planned.
- Reform actions on financial liability of officials and the Financial Irregularities Panel are being finalised.
- Commission adopts Action 13 decision and the 2002 Synthesis Report, strengthening internal control communication.

### **3. IMPLEMENTING REFORM IN 2004**

The main emphasis of the Reform programme for 2004 will be on implementation of changes, in particular those contained in the new Staff Regulations, which should enter into force on 1 May 2004, once the European Parliament has provided an opinion and the Council has adopted the Commission proposal. In addition, the new Staff Regulations will be needed to ensure that the Commission and the other Institutions can successfully integrate personnel from the acceding countries.

#### **3.1. Strategic Planning and Programming**

In an enlarged Union – and in a new, enlarged Commission - the strategic planning and programming capabilities of the Commission will be of increasing importance to establish the priorities and implement the policies in a coherent way.

It is clear that a Commission with 25 Members will need to make adjustments to its internal functioning. For instance, decisions will have to be taken on the organisation of policy portfolios among Commissioners and careful planning is required to ensure a smooth transition from the present to the next Commission. The fact that 10 new Commissioners will become Members of the College on 1 May 2004 will facilitate this process.

In the context of the preparation of the new Financial Perspectives (post-2006), the Commission intends to propose a simplification and rationalisation of the financial instruments that it uses. The basic aim is to streamline the number of financial instruments in order to increase the transparency, efficiency and effectiveness of policy implementation. The Commission will in due course put forward the relevant proposals to this effect.

## **Outlook for 2004**

- 10 Commissioners from acceding countries to join College on 1 May 2004.
- As reflected in the Accession Treaty and the Commission's proposals to the IGC, the new Commission is to adopt internal decision-making mechanisms for a College of 25.
- Commission to make a proposal for the next Financial Perspectives, which will streamline the number of financial instruments.
- Handover of consolidated strategic planning and programming capabilities to the new Commission
- Generalisation of the system of extended impact assessment for all major new proposals

### **3.2. Personnel Policy**

In addition to providing the next Commission with a strong programming and planning framework, it will be crucial to ensure that it inherits a coherent and stable personnel policy system. Guaranteeing stability during the enlargement phase and ensuring a smooth transition to the new Staff Regulations are clearly the main challenges in this area for 2004. Implementation in 2004 will, while maintaining the orientations already set by the personnel reform, focus on revising and fine-tuning the details on the basis of practical experience.

With the foreseen entry into force of the new Staff Regulations on 1<sup>st</sup> May 2004, the 'overhaul phase' of personnel reform policy will be complete. The Commission can then focus squarely on deepening the implementation of its new staff policy and ensuring support and ownership among services and staff. This will require completion in early 2004 of the detailed rules needed to implement the new Staff Regulations from day one. The most significant change in 2004 – to affect every official including current and future staff – will be the implementation of the new career structure. Another important change to be implemented after 1<sup>st</sup> May 2004 will be the recruitment of contract agents into the Commission, its administrative Offices and Agencies.

With regard to enlargement, whilst the Commission has ensured that the most important preparatory steps have been taken – namely securing the necessary new posts and launching the appropriate competitions – the litmus test for the Commission's readiness for enlargement still lies ahead. In this sense it will be essential to successfully recruit 740 officials<sup>8</sup> following 1<sup>st</sup> May 2004. By March 2004 it will also be necessary to adopt clear rules on how services are to recruit staff from the new Member States in appropriate numbers and to lay down figures and procedures for recruiting management staff from the new Member States.

Experience to date has shown that time is needed for the organisation to become accustomed to new systems, to adjust them to allow smooth operation, and for the advantages of reform to become clear to staff. During 2004, the Institution will need to demonstrate that appraisal of

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<sup>8</sup> 740 to be recruited on the 'budget de fonctionnement', while 51 are foreseen for the administrative Offices and OPOCE, and 70 for research.

performance works to the advantage of those who deserve it and that the reward of promotion is attainable. The central administration and personnel units in the services will need to communicate with staff on reform and enlargement in an open and reliable fashion. In particular, it will be crucial for colleagues and the administration to provide clear guidance and support to new staff from the moment they join.

#### **Outlook for 2004**

- The successful recruitment and smooth integration of 740 officials after accession will test the Commission's preparations for enlargement.
- Timely finalisation of the most important implementing rules is necessary to guarantee a smooth transition to the new Staff Regulations.
- Guaranteeing staff confidence and support with regard to the Commission's personnel reforms will require leadership, open communication and continuity between this and the next Commission in terms of the orientations of its personnel policy.

### **3.3. Internal Control and Financial Management**

Although not directly addressed in the White Paper, further efforts are necessary to achieve the Reform's objectives, in particular in the area of accounting where the recast Financial Regulation requires the production of accrual accounts by 2005. This objective, in turn, commits the Commission to undertake a major change to its information systems. It necessitates the development of an integrated computerised system to provide the additional functionality required. It is clear that the objective to comply with the Financial Regulation's requirements about accounting by 1 January 2005 is ambitious, but at this stage, the implementation plan is on track.

Following recommendations of the European Parliament, OLAF and the Internal Audit Service, the Commission has reinforced its Early Warning System. Work related to the overhaul of the system being at an advanced state, a Commission decision was adopted on 3 February 2004.

#### **Outlook for 2004**

- Accounting Reform should be finalised for implementation at the start of 2005.
- After implementation of measures adopted in the wake of the Eurostat crisis, the internal control system will be stabilised (see below).

## **4. MEASURES TO BE TAKEN IN THE WAKE OF THE EUROSTAT CRISIS**

This section presents the measures to be taken in the wake of the Eurostat crisis. As regards Eurostat itself, the Commission has adopted several decisions aiming at a thorough reorganisation of this DG, including a new organisation chart based on two major changes - the refocusing of the Directorates on the EU's major activities and policies, and the strengthening of financial management and control over Eurostat, especially at Director-General level.

The development of events at Eurostat has shown the need to review and consolidate information circuits between services and the political level on the one hand and between central and operational services on the other hand. The current system relies on rules that

were established at the beginning of the Prodi Commission and which have since been revised regularly.

Certain structural measures were already put in place in light of the difficulties encountered. In particular, the Commission and OLAF adopted on 23 July 2003 a provisional Memorandum of Understanding to clarify the information flow about internal investigations undertaken by OLAF.

As mentioned above, the Commission can build the required improvements on a foundation of already reinforced provisions about the information flow between services and the political level. The requirement remains that Commissioners and Directors General should have an ongoing dialogue about a service's policy objectives and internal control. In addition, the Commission decided in the context of adoption of the 2002 Synthesis Report that specific information about the result of internal audits and their follow-up must be communicated to the political level at least twice a year. The information provided should also include issues arising from the work of the Internal Audit Service, the European Court of Auditors, the Directorates General in the context of ex-post controls, and OLAF. Also in this context, the Commission decided to produce a yearly overview and a mid-term review of the state of internal control systems in all Commission services.

These measures, however, do not cover all aspects of the analysis and audits of the Eurostat crisis which the Commission has undertaken. Therefore, and in conformity with the commitments made by President Prodi in his speech of 25 September 2003, which were further developed in his presentation to Parliament on 18 November 2003, the Commission has decided on a number of complementary measures to ensure that the Commission disposes at all times of the information necessary to exercise its political responsibility.

#### **4.1. Revision of the code of conduct governing relations between Commissioners and services<sup>9</sup>**

Relations between Commissioners, their cabinets and services are governed by a code of conduct which the Commission adopted at the beginning of its mandate on 18 September 1999. This code describes the general principles which should guide the relation between Commissioner and services. It sets out the respective roles of the cabinet and the services in the management of issues under the competence of the Commissioner and the rules which apply to their relation. Since the entry into force of this code the Commission has in the context of Reform adopted several communications, which complete these rules and provide further detail.<sup>10</sup>

Developments since 1999 and the need to improve the information provided to Members of the College justify today a revision of the code in order to put the emphasis on the political responsibility of the Commissioner as well as on the responsibility of the Director General of Head of Service vis-à-vis the Commissioner, and through him or her, before the Commission.

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<sup>9</sup> SEC(1999)1481

<sup>10</sup>In this context, the following documents are of particular importance: Charter of delegated authorising officers (SEC(2000)2203 of 13.12.2000 in its updated version); Communications about the methodology for the establishment of Annual Reports (Communication of 27.06.2001 "The annual reports and declarations required of Directors-General under the reform of the Commission (action 82 of the White Paper)" - SEC(2001) 875/6; Communication of 21.01.2003 "Clarification of the responsibilities of the key actors in the domain of internal audit and internal control in the Commission" - SEC(2003)59; Communication of 21.01.2003 "The 2002 review of implementation of activity-based management in the Commission, including clarification of the methodology of the methodology of the establishment of Annual Activity Reports" – COM(2003) 28 final/2

At the level of the basic rules, the amendments specify further the nature of information which the Commissioner must receive from his or her services. This information must be as exhaustive as possible and should in particular cover the quality of implementation in internal control standards in his or her services, the content of audit work and the follow-up to previous audits.

The code of conduct also comprises a specific procedure for the information of the Commissioner concerning all facts, situations or questions which arise from management - and notably financial management - and whose seriousness could call into question the Commissioner's responsibility or that of the College. A new version of this code of conduct, which includes the amendments set out above, is annexed to this communication.

#### **4.2. Treatment of and follow-up to allegations relating to fraud, irregularity and other reprehensible acts**

The treatment of allegations relating to fraud, irregularity and other reprehensible acts at the Commission has been reinforced considerably during the last years with the establishment of OLAF, which has benefited for its investigations from total operational independence, a central Internal Audit Service and, more recently, the creation of a Disciplinary and Investigative Office (IDOC) as well as the additional provisions in the draft of the new Staff Regulations. However, the Eurostat affair has shown that the current system does not provide the Commission with a sufficiently complete overview of all available information concerning a specific matter. As a matter of fact, the Commission's knowledge of all the information available on Eurostat was for a long time too partial and fragmented, which prevented it from taking rapid precautionary measures at an early stage.

It is for this reason that the Commission considers it necessary to ensure that pertinent information is collected from all sources, analysed rapidly and communicated to the College. It will therefore charge a group of Commissioners to ensure that all information and/or allegations of fraud, irregularity and other reprehensible acts will be treated in conformity with existing procedures and will be the subject of rigorous follow-up by the concerned services. Furthermore, this group of Commissioners will bring the most important cases to the attention of the Commission, i.e. those cases which require precautionary measures in order to protect the interests of the Union, in particular those of a financial nature.

This group will bring together the President, the Commissioner responsible for Personnel and Administration and the Commissioner responsible for the Budget and the Fight against Fraud. The group of Commissioners will be assisted by a high-level interservice group, composed of the Secretary-General, who will preside its meetings, and the Directors General of DG Personnel and Administration, of DG Budget, of the Internal Audit Service and the Legal Service.

This new approach will require the active and continuous cooperation of all services<sup>11</sup> and actors who are the natural addressees of information concerning allegations of fraud, irregularity or other reprehensible acts and whose competence for analysis and follow-up in their respective domains of responsibility remains entirely untouched. It will therefore require the cooperation of middle and senior management, and above all of Directors General or Heads of Service who are also the first interlocutors of whistleblowers.

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<sup>11</sup>This concerns in particular the European Anti-Fraud Office (OLAF), the Disciplinary and Investigative Office (IDOC), the Directorate General for Personnel and Administration and the Internal Audit Service.



### **4.3. A reinforced framework for communication in the domains of internal control and internal audit**

There are a number of questions that were raised by the Commission's Internal Auditor in the last chapter of his report about the examination of contracts and grants at Eurostat. In this report, he presented the governance lessons which he draws from the Eurostat affair. Presented as concrete steps forward, these lessons are essentially a review of the governance of internal control and audit structures in the Commission. The Internal Auditor recommends in particular that the central services should ensure increased supervision of these structures in the services and proposes the establishment of open lines of direct communication and functional reporting to the Accountant on the one hand, and the Internal Auditor on the other hand.

In this context the Commission has decided the following measures:

- In conformity with the clarifications made in the Communication of 21 January 2003<sup>12</sup>, the role of Resource Directors in the elaboration of the Annual Activity Report will be made explicit. The Resource Director, or the person designated by the Director General, will certify in a separate statement firstly that he has reported his advice and recommendations to the Director General on the overall state of internal control in the DG and that, secondly, the Annexes to the Annual Report dealing with internal control matters are accurate and complete. This statement will be annexed to the Report, starting with this year's AAR exercise relating to financial year 2003. In case of disagreement, this will be brought to the attention of the Commissioner as well as the Secretary General and the Director General of DG Budget.
- In order to improve the horizontal flow of information between Commission auditors, the Internal Audit Capabilities will systematically transmit all their finalised audit reports (i.e; after conclusion of the contradictory procedure) to the Internal Audit Service. The reports will contain an executive summary which will highlight all critical findings of the report. The Internal Audit Service will summarise important IAC findings, recommendations and actions taken by DG management in a biannual report.
- The Internal Audit Service will strengthen its support for and coordination with Internal Audit Capabilities. Therefore, the Internal Auditor will preside the meetings of Auditnet, which brings together all Internal Audit Capabilities. A vice-chair will be elected from among the heads of Internal Audit Capabilities.
- A representative of the Internal Audit Service will participate in the procedures leading to the nomination of a Head of an Internal Audit Capability. Similarly, a representative of DG Budget will participate in the procedures leading to the nomination of a Resource Director.
- Management tools that are at the disposal of all services – including internal control and internal audit services - will be further developed: first and foremost, a data base of legal entities will be developed and the ABAC-data base of contracts (formerly the ICON-DB data base) will be made available to all services. Once the authorising services have entered the requisite data and provided the adequate supporting documents, the database of legal entities will provide authorising officers – before they sign a contract - with validated

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<sup>12</sup> "Clarification of the responsibilities of the key actors in the domain of internal audit and internal control in the Commission" - SEC(2003)59

information about all entities with which the Commission has had contractual relationships since 1999. These new instruments should come on stream from mid-2004.

A synopsis of the main internal control information flows resulting from original Reform decisions of March 2000 and measures taken thereafter is provided overleaf.

#### **4.4. Whistleblowing**

Since the Commission decision of 2 June 1999, every official becoming aware of evidence of possible serious reprehensible acts, has been obliged to inform his/her Head of Service or Director General, or, if the official considers it useful, the Secretary General or OLAF directly. Furthermore, through its decision of 4 April 2002 the Commission has opened the possibility for officials to address such information to the Presidents of the Court of Auditors, the European Parliament, the Council or the Mediator, if the official concerned had previously disclosed information to OLAF and/or the Commission, and has allowed a reasonable period for them to take appropriate action.

Although the Commission was the largest source of information for OLAF case records in 2002/2003,<sup>13</sup> experience has however shown that, despite these rules, staff often seem to have chosen not to follow the whistleblowing procedure as identified above. In the majority of cases, officials either raised such concerns about serious wrongdoings in another context (for example at the occasion of a career review), or the allegations made by the official concerned were not “serious wrongdoings” in the sense of the whistleblowing provisions.

The Commission therefore intends to take measures to increase the awareness of these new rules amongst staff. More publicity will be given to these rules via other means, such as a publication in the internal newspaper and the inclusion of these rules in information provided to new staff.

In its measures to raise the profile of these rules, the Commission will also highlight the protection offered to bona fide whistleblowers. Of course, in order to enable the Commission to apply the protection measures described below, the member of staff concerned will be expected to identify him- or herself as a whistleblower to the Institution and to observe the procedures as outlined in the whistleblowing rules.

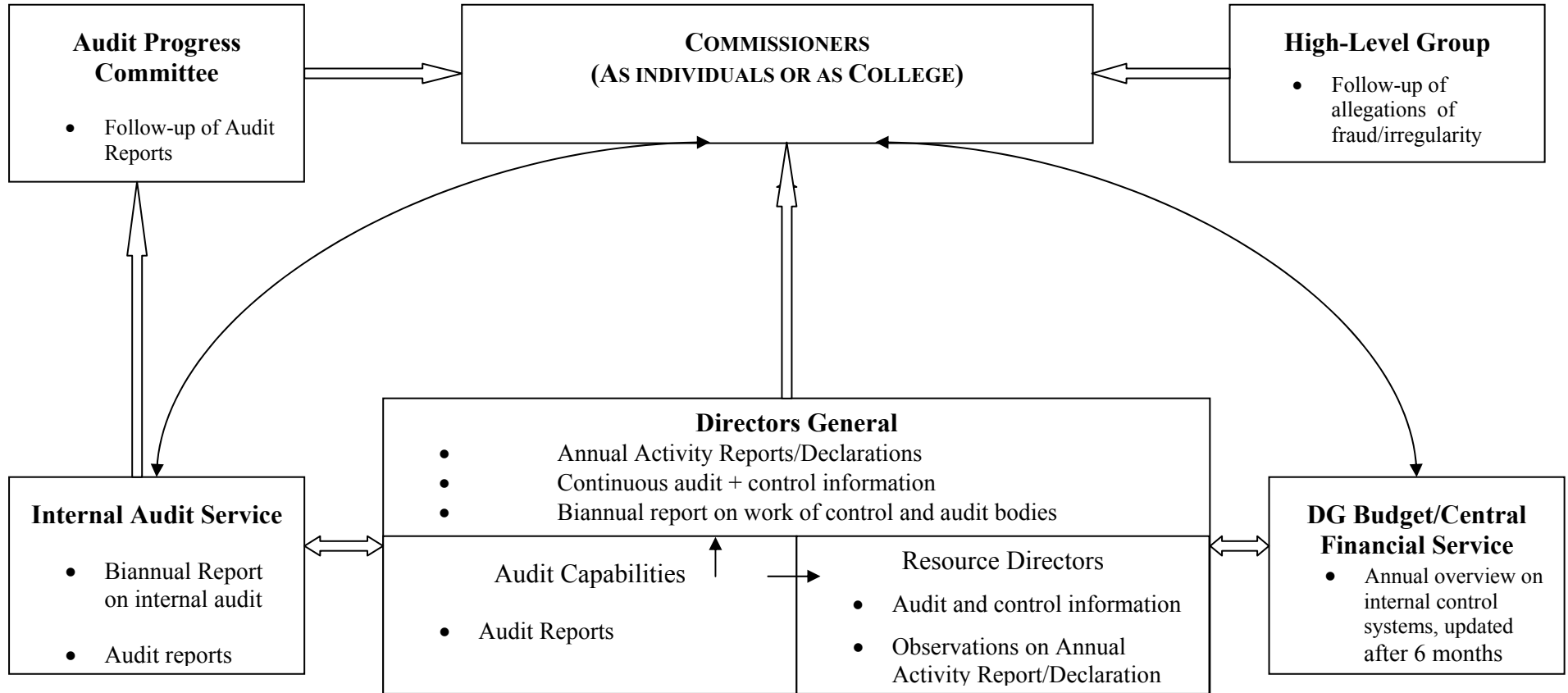
- In practice this protection means that the Commission will take all necessary steps to assure staff that complying with their whistleblowing obligations will not negatively affect their career. This will mean that if the member of staff concerned wishes to be moved to another Commission department in order to safeguard him or her against hostile reactions from his immediate work environment, then the Commission will facilitate such a move;
- Particular care will be taken during staff evaluation and promotion procedures to ensure that the whistleblower suffers no adverse consequences in this context. The career

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<sup>13</sup> According to OLAF’s Activity Report 2002/2003, the Commission provided 173 case records, i.e. 26% of total new case records. However, this figure is not disaggregated to show how many of these referrals to OLAF were undertaken by whistleblowers. See: OLAF Fourth Activity Report of the Year ending June 2003, p.13

guidance function, introduced under the administrative reform, will have a monitoring role in this respect. In those cases where the career development report of staff who have made use of the whistleblowing provisions has significantly deteriorated, they will be able to ask for a review of their career development report through a special process.

MAIN HORIZONTAL AND VERTICAL INFORMATION FLOWS ON INTERNAL CONTROL AND INTERNAL AUDIT



## **5. MONITORING REFORM**

### **5.1. Indicators**

The Commission has so far monitored the implementation of Reform by making reference to the 98 White Paper actions. However, due to the fact that implementation of these actions will conclude this year, this way of assessing progress is no longer as useful a tool as it was in the past. In addition, many measures that amend or expand upon earlier Reform proposals, are a direct consequence of Reform, in particular those resulting from the Annual Activity Reports. A consolidated view of original and amended Reform measures related to internal control is provided in Annex 1 and Annex 5.

The Institution has at its disposal a number of indicators, which provide a global picture of developments in specific areas, such as, for instance, the speed of payments, the quantity of training or the gender balance among its management staff (see Annex 6). While it is extremely difficult to assess cultural change in an organisation, the Reform programme was based on the premises that a change in systems and structures combined with the provision of training was a precondition for a change in culture. The indicators seem to confirm this: where systems and structures have changed, performance has improved. For instance, payment delays continue to decrease (to below 43 days on average), the vacancy rate has been further reduced to a very low level of 1.9% and the annual recruitment of women has further increased to more than 33% in 2003. The offer of training underpinning these changes has met with a very strong response: total participant days for centrally organised general training were 8445 in 1999 before Reform started, with 23883 in 2002 and 28507 in 2003. By comparison with 2002, the total number of training days in 2003 grew by 22% from 165000 to 202000. By contrast, in areas that require an implementation of the new Staff Regulations, the change in indicators is far less drastic. For instance, it is expected that the share of staff on part time work would increase with the implementation of new provisions of the new Staff Regulations.

There are other indications of efficiency gains, in particular related to reinforced Interinstitutional cooperation. The creation of a European Administrative School is estimated to result in economies of scale equivalent of about 20% of the human resources necessary without this cooperation. The newly created European Personnel Selection Office will function with an annual budget of just over € 21 million, which is 11% less than the previous expenditure across institutions despite the increased workload stemming from enlargement. The creation of administrative offices was undertaken with the objective of securing overall savings in the region of 10% by 2010.

However, it is clear that the implementation of Internal Control Standards and systems remain the most important benchmark of Reform progress, not only in the financial control area, but also in other areas of Reform policy.

### **5.2. Internal Control Systems**

The monitoring arrangements for internal control were already embedded in certain Reform actions and have continued to evolve. The basic framework of control requires Directors General to conduct an annual review of their internal control arrangements to support the declaration on controls in the Annual Activity Report and Directors General have, to varying degrees been self-assessing those arrangements since the latter part of 2000. Most recently this has involved an assessment undertaken in the autumn of 2003 of the readiness to be

compliant with the baseline requirements of all Internal Control Standards by the end of December. This highlighted that, whilst expected compliance was expected to be generally high, there remained a number of key areas of internal control, notably on the documentation of procedures, risk assessment and supervision where further time and work would be required. In mid-February 2004 Directors General will be expected to confirm the assessments previously made.

So far the self assessment exercises undertaken by Directorates General have focused on compliance with the baseline requirements of the Control Standards, but the latest developments have seen a move by Directors General to consider the extent to which their systems of control are effective. This represents a significant, but natural evolution in the process of responsabilisation and reflects a need for Directors General to demonstrate more explicitly that they have the means to support their annual declaration on the adequacy of their internal control systems.

The annual overview on internal controls, starting in April 2004, will constitute an important component of the arrangements for monitoring implementation. It will bring together existing information on internal control issues on a DG by DG basis, summarized in one overall document and brought to the attention of the College.

The increased responsabilisation of Management is reflected in the annual management assurance declaration issued by Directors General on an annual basis as well as through the Commission's synthesis report, through which the College assumes its political responsibility for controls. Through its audit report, the Internal Audit Service provides complementary assurance to the College.

Separately and independently from management, the IAS assesses the effectiveness of the Commission's internal control systems. Through its audit work the IAS will be able to provide an intermediate audit opinion on the quality of the internal controls in Commission services towards the end of 2004 and a full audit opinion in 2006.

In order to further increase the Audit Progress Committee's technical knowledge, the Commission decided that the Committee should recruit a second external member.

## **6. SUMMARY AND CONCLUSION**

Reform, and the achievement of demonstrably beneficial effects, is necessarily a process not an event. Meaningful systemic changes cannot have immediate productive results, and the time between the introduction of reform and the manifest realisation of its objectives can be disruptive. Nonetheless, important changes are visible in the Commission. Strategic Planning and Programming is providing the organisation, individual staff and external partners with a far clearer sense of the direction and the goals of this organisation and its different services. The responsibilities of each financial actor are greatly enhanced by the new rules in place, and these duties are accepted and properly executed by staff. The quality of management is being raised and high quality is continually required and fostered among managers.

It is therefore not a job for this Commission alone. This Commission has designed, embarked upon, implemented and begun to refine the most ambitious administrative reform in this organisation's history. The next Commission must not be distracted from the ongoing task and must uphold the orientations set by the White Paper of March 2000 and the wealth of experience gained during implementation. The Commission, before and after

November 2004, must also continue to be ready to make constant 'post production adjustments' to achieve further improvements.

If the main challenge for 2003 was the need for robust implementation of major structural and procedural reforms, then 2004 will be the year when reform needs to become fully operational: bringing Commission services beyond mere compliance to a deeper level of implementation must be the aim for the reform project in 2004 and beyond. Managers and staff at all levels need to become increasingly confident in the new systems and procedures, and the sense of ownership of these new arrangements must improve across the organisation so that the body of staff feel increasingly empowered and decreasingly overwhelmed by the changes in place. Deepening the level of implementation also involves making continuous improvements, as various aspects of our policies need to be fine-tuned on the basis of experience and the results of evaluations.

In particular, the Commission will need to demonstrate to its own staff and the outside world that a system that devolves financial responsibility brings empowerment as well as reinforced obligation and strong, reliable systems of control. In the end, the internal control system must ensure that the College can take its political responsibility. The interest which Annual Activity Report and Declarations as well as the implementation of Internal Control Standards have received, bodes well for an improved position of the Commission in the discharge procedure. The introduction of these Reform measures has provided vehicles for a very fruitful dialogue with the Court of Auditors and the European Parliament. At the very least, information provided in the Annual Reports will be a solid basis for explaining the Commission's position within each year's discharge procedure. In the long run, it should also lead to a more positive assessment in the context of the Court of Auditors Annual Report.

The impact of enlargement represents a major and very welcome challenge in 2004 and beyond. In 2005 the Commission will face the bulk of recruitments from enlargement. It is essential that Commission services are able to operate confidently in a stable environment during this demanding period of transition.

The effectiveness and legitimacy of the Commission continue to depend upon its independence, accountability, and high performance as a multicultural and multinational public service organisation. With the reforms announced in the White Paper of March 2000 now firmly rooted in the set up of the organisation and the conduct of its staff, this Commission has upheld and reinforced these values and set a clear course for the next Commission.

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**ANNEX 1**

**REFORM ACTIONS**

**STATE OF PLAY AS AT 31 DECEMBER**

**2003**



1	Establishment of an inter-Institutional Committee on Standards in Public Life	Draft Inter-institutional Agreement	30/6/2000	-	<b>Proposal adopted 29/11/2000</b> SEC(2000)2077.	Further to feedback by the other institutions the proposal will be withdrawn	√
2	Code of Good Administrative behaviour	Commission Decision adopting new Code	30/4/2000	-	<b>Decision adopted 17/10/2000</b> OJ L 267 (20/10/00).	Implementation report (SEC(2002)1266)	√
3	Proposal for a Regulation on Public access to EP, Council & Commission documents	Parliament & Council Regulation on Public Access to EP, Council & Commission documents	31/5/2001	-	<b>Regulation adopted (Parliament &amp; Council) 28/5/2001</b> OJ C223 (8/8/01).		√
4	Communication on minimum standards for the conduct of the Commission's consultation process.	Set of recommendations on best practice in consultation	31/12/2000		Approval of consultation document "Proposal for the general principles and minimum standards for the consultation of interested parties" (COM(2002)277 final of 15.06.2002)	Final set of consultation standards adopted. Commission Communication "Towards a reinforced culture of consultation and dialogue - General principles and minimum standards for consultation of interested parties by the Commission" COM(2002) 704 final of 11.12.2002	√
5	Establishment of a list of committees & working groups involved in formal or structured consultation procedures	New Commission database on consultation bodies for Europa server	30/6/2001	05/2002	Information Note on Consultation, the European Commission and Civil Society 13/9/2001SEC(2001)1361.	The list of the Commission's formal and other structured civil society consultation groups was published in June 2002 on the CONECS site.	√
6	Framework Agreement with the EP	Approval of Framework Agreement by EP & Commission	As early as possible 2000	-	<b>Agreement signed 5/7/2000</b> OJ C121 (24/4/01).	In force and under continuous implementation.	√
7	a) Better use of Information & Communication Technology (ICT)  (Design of a medium term strategy for IT policy, organisation & resources)	Review of overall Information & Communications Technology strategy	31/7/2000	-	<b>Communication adopted by Commission 8/6/2001</b> COM(2001)314.	Review has now taken the form of a Commission Communication. Actions 7 & 8a have been integrated into a single Communication on a new ICT strategy. Implementation of	√

						a five year programme now ongoing.	
	b) Upgrading & improving the security of the Commissions communications networks (Definition of strategy)		ongoing				
8	a) Feedback mechanisms & technology development setting up procedures		31/12/2000				
	b) Moving to interactive policy consultation using Internet.	Review of interactive policy consultations	31/12/2000		<b>Communication adopted 3/4/2001 C(2001)1014</b>	Communication set out two linked mechanisms for IPM: one for the collection of feedback, the other for online consultations. Development and pilot actions are ongoing	√
	c) Constant improvement of the Europa Website	Continual improvement to Commission INTERNET	ongoing		<b>Communication adopted 6/7/2001 C(2001)1753</b>	This has launched the modernisation of EUROPA leading to a portal approach providing access to information by theme.	
9	Electronic public procurement & transactions	a.) Review of public procurement Directives & b.)internal practices & internal use of electronic signatures	31/12/2000	-	<b>Agreement in the Conciliation Committee on a joint text on procurement reform 2000/0115 (COD) PE-CONS 3696/03 of 9/12/03</b>	Component a) completed  Component b) not yet completed: The internal project plan has been set up and a prototype has been launched for electronic collection and dissemination of procurement notices (eTendering by OPOCE).	-
10	Reporting on the record of individual DGs in meeting payment deadlines	Part of new presentation of annual activity report by each DG (see Action 82)	31/1/2001	1/5/2002 (for full report)		Standard reports on payment delays available to DGs	√
11	Central Invoice register	Establishment of Commission information system	30/6/2001	05/2002	CIR deployed in 15 services,	. Revised CIR will be mandatory before mid 2004 for all services.	-

12	Design a new Strategic Planning and Programming cycle (SPP)	Adoption of guidelines to operational services	31/10/2000	-	<p><b>Communication adopted 25/10/2000</b> SEC(2000)1744</p> <p><b>Last update Communication adopted on 21 January 2003</b> COM(2003)28</p>	Definition of SPP cycle elements, ABM components and calendar for action.	√
		2nd annual policy strategy for 2003	31/12/2000	-	<p><b>Communication</b> SEC(2002)217/9 adopted 27/2/2002</p> <p><b>Communication</b> COM(2003)83 adopted 5/3/2003</p>	SPP cycle fully operational.	
		3rd annual policy strategy for 2004					
		Structured dialogue with EP and Council	28/2/2001		<b>2004 APS</b> stock-taking session on 11/9/2003		
		Discussion with EP & Council	30/11/2000		-	Discussion with Council & EP on their system initiated. Agreement on interinstitutional consultation on Commission work programme.	√
		2001 Annual activity reports by DGs	31/1/2001	1/5/2002	<b>AAR exercise done for 2001 and 2002 with adoption of the corresponding Synthesis by the Commission:</b>		
		2002 Annual Activity reports by DGs		1/5/2003	COM(2002)426 adopted 24/7/2002 and COM(2003)391 adopted 9/7/2003		

13	Establishment of Strategic Planning & Programming function	Commission Decision on SPP organisation & resources	31/5/2000	-	<b>Communication adopted 26/7/2000</b> SEC(2000) 1294.	The two White Paper subactions were amalgamated into one Commission decision on the SPP function including organisational structure & resources.	√
		Commission Decision on SPP function	31/7/2000	-			
14	Development of an activity-based IT instrument to support ABM	Development of IRMS	30/9/2000		IRMS has been developed to incorporate the basic ABM reporting requirements including AMP 2003, Agenda Planning and Commission Work Programme		√
		Deployment of IRMS Commission wide.	31/1/2002	30/6/2002	IRMS has been rolled out in all DGs.	All services have a version of their Annual Management Plan in IRMS and use the system for the ongoing management of Agenda Planning and for the follow up of their contributions to the Commission Work Programme. However, since the Management plan module still presents some weaknesses regarding the user friendliness and the interoperability with other corporate systems, it has been decided in September 2003 to suspend its further development and to launch a study in the framework of the interoperability action plan decided by the Commission in the Synthesis of the annual activity report on the year 2001 (COM(2002) 426 adopted 24/7/2002).	

15	Promote diffusion of ABM practise (launch pilots + training programmes)	Launch ABM training programme	5/2000	06/2002		In 2003 an interservice ABM working group exchanged best practice and updated the ABM best practice website. Every month between 2 and 4 ABM training seminars (FR and EN) were carried out as well as targeted sessions with individual DGs. The 'cellule de support' was reinforced.		√
16	Strengthening the evaluation system	Communication to the Commission on strengthening the evaluation system	31/5/2000	-	<b>Communication adopted 26/7/2000</b> SEC(2000)1051.	Much more integrated in standard APS-cycle and ABM-approach.		√
17	A framework for externalisation	Definition of new regulatory framework	30/4/2000	-	<b>Communication adopted 13/12/2000</b> COM(2000)788.	Commission adopted single Communication covering both subactions i.e. including proposal for a new type of agency		√
		Communication to the Commission	30/9/2000	-				
					<b>Communication adopted on reforming the management of external aid 16/5/2000</b> SEC(2000)814.	This action was added after publication of the WP but is in line with the requirements of the WP on reform of the management of external aid.		
					<b>Council Regulation adopted 19.12.2002 on the creation of executive agencies to carry out specific tasks relating to the management of Community programmes</b>	<i>Guidelines for the establishment and operation of executive agencies and two model decisions adopted by Commission on 12/12/2003</i>		

					<b>Commission Regulation 2343/2002 adopted on the framework Financial Regulation for traditional agencies, of 19.11.2002</b>	
18	Simplification of procedures and working methods	<p><b>I.</b> Implementation of Interim Action Plan (cf. SEC (2000)1757/6))</p> <p><b>II.</b> New simplification strategy (cf. SEC 2002(867))</p> <p><b>a)</b> Quality Circles</p> <p><b>b)</b> Simplification website</p> <p><b>c)</b> Manual of Operational Procedures of the Commission</p>	-		<p><b>Re I:</b> Interim Action Plan now completed. Final report available on the simplification website.</p> <p><b>Re II:</b> New strategy developed. <b>a)</b> Three Quality Circles issued recommendations. <b>b)</b> Simplification website with suggestions box launched. <b>c)</b> Electronic, Manual of Operational Procedures completely updated and available in English and French.</p>	<p><b>Re II:</b> New actions of simplification based on a bottom-up methodology were further developed in 2003: <b>a)</b> Three Quality Circles (“Service Level Agreements”, “Who signs what and “Preparing for enlargement”) delivered recommendations on best practice in 2003. <b>b)</b> An interactive website on simplification was launched in January 2003, in particular giving access to a “suggestions box” Over 100 suggestions were received in 2003. The website was promoted through poster and postcard campaigns <b>c)</b> A new, electronic Manual of Operational Procedures was launched be on-line in English and French and will continuously be developed and systematically updated</p>

19	Promoting personal responsibility & initiative & leaner administrative structures	Guidelines for job description & task assignments	30/4/2000	-	<b>Communication adopted (pilot exercise) 24/5/2000 SEC(2000) 852.</b>	Based on the Communication of May 2000 and the subsequent pilot exercise, guidelines for job descriptions were adopted and implemented. The new framework for objective setting combined with the staff appraisal report as foreseen in the White Paper are part of the general implementing rules for Article 43 of the Staff Regulations (see actions 32-33).	√
		Implementation by all services	30/7/2000	-	-		
		More efficient working methods - Action Plan	31/12/2000	-	See Action 18		
20	Cross-fertilisation, teamwork & quality of services	-	-	-	On-going process.	See action 18	√
		<i>Note: Actions 21 &amp; 22 have been merged &amp; reviewed: one Communication has dealt with A1 &amp; A2 &amp; the other with Middle Management.</i>					
21	Selection of senior managers	Commission Decision to improve the Consultative Committee on Appointments	31/7/2000	-	<b>(Decision on) Senior Management Communication adopted 21/12/2000 SEC(2000)2305.</b>	Implementation ongoing	√
		Proposal for Head of Unit appointments (A5/4/3)	31/12/2000	-	New appointment procedures implemented		
		Assessment of the application of rules on appointments to A1 & A2	30/6/2002	6/2003	Following analysis of principles laid down in 1999 and 2000, clear guidelines for selection and appointment procedures for A1 and A2 approved by Consultative Committee on Appointments and circulated to services in September 2003.		

22	Ensure continuing evaluation of management performance	Introduction of appraisal for A1s & A2s	30/4/2001		Incorporated into Communication “The appraisal, selection and appointment of senior Commission officials” of 20/12/00.	Pilot project for A1 and A2 appraisal completed.  Commission decision on annual senior management appraisal (included in DGEs for article 43, transition rules for senior management appraisal) foreseen by May 2004.	√
		Draft Commission Decision on middle management	31/10/2000		<b>Consultative Communication (Middle Management) adopted 28/2/2001</b> SEC(2001)322.	Consultative document for a Decision on Middle Management approved by the college on 14.01.2004.	
		Commission Decision on Middle Management	30/4/2001		Final orientations adopted by the Commission on 30/10/2001 SEC(2001)1697/6 - 1697/7		
23	Creation of a training Centre	Results of consideration of creation of training centre	31/7/2000		Significant increase in number of training days in 2001 (+ 100% compared to 2000)	Agreement between Secretaries General of the Institutions to establish a European Administrative School and draft Decision to set up the EAS approved on 28.10.2003. Consultative and decisional process has begun on that basis. School expected to be operational from beginning 2005.	√
	Management training	- No specific WP milestone originally foreseen.			Additional management training implemented	<i>Since the beginning of 2003 an independent evaluation of Management training at Head of Unit level and above has been conducted.</i>	



24- 29	Recruitment policy	Draft Agreement on the creation of an Inter-Institutional recruitment office	31/12/2000	-	European personnel selection offices (EPSO) established by decision of the institutions, OJ L197, 26 July 2002	EPSO operational since January 2003.	√
		Consultative Communication on recruitment policy	31/12/2000	-	<b>Consultative Communication adopted 28/2/2001</b> SEC(2001)294.		
		(Commission Decision)		-	<b>Agreement on common inter-institutional principles for recruitment adopted on 25 July 2002</b>		
		Proposal to the Staff Regs committee	30/6/2001	-	- No changes to the Staff Regulations were necessary		
		Proposal to the Council (Staff Regulations)	31/12/2001	-	- No changes to the Staff Regulations were necessary		
30	New career system	Consultative Communication on new career system	30/11/2000	-	<b>Consultative Communication adopted 28/2/2001</b> SEC(2001)337.	Legal proposal has been submitted to Council and EP. Negotiations ongoing.  <i>Implementing rules concerning access to training for the 'certification' procedure are due to be adopted by December 2004. A Commission Decision on 'attestation' in the context of the reform of the Staff Regulations is due to be adopted in March 2004</i>	√
		Commission Decision	31/12/2001		Final orientations adopted by the Commission on 30/10/2001 SEC(2001)1697/6 - 1697/7).		
		Proposal to the Staff Regs committee	31/5/2001		Done January 2002.		

		Proposal to the Council (Staff Regulations)	31/12/2001	April 2002	<b>Adopted 24 April 2002</b>		
31	Simplification of grading procedures	Draft Commission Decision on grading procedures	31/7/2000	-	Decision on changing the Staff Regulations taken.	Simplified grading has been introduced in the Staff Regulations (see Communication "Global Package" of 30/10/01). Legal proposal has been submitted to EP and Council. Negotiations ongoing.	√
		Commission Decision on grading procedures	30/11/2000	-	-		
		(Proposal to the Staff Regs committee)  Proposal to the Council (Staff Regulations)	-		Done January 2002.  Adopted 24 April 2002		
32-33	New staff appraisal system & Promotion based on merit	Draft Commission Decision on an annual staff appraisal system	30/11/2000	-	<b>Consultative Communication adopted 28/2/2001 SEC(2001)319.</b>	First new appraisal and promotion exercise carried out in 2003 within foreseen deadlines.  New implementing rules for article 45 of Staff Regulations adopted in January 2004.	√
		Commission Decision on an annual staff appraisal system	31/5/2001	April 2002	<b>Consultation of Staff Regulations Committee finalised.</b>		
		Implementation	2002	2002/2003	<b>General rules for implementing Art. 43 and 45 (appraisal and promotion) adopted by the Commission on 26 April 2002</b>		
34	Flexible retirement	Consultative Communication on flexible retirement	31/12/2000	-	<b>Consultative Communication adopted 18/7/2001 SEC (2001)1207</b> (incorporating new regulatory framework for enlargement schemes (see also Action 62).	Legal proposal has been submitted to Council and EP. Negotiations ongoing.	√
		Consultative Communication on specific retirement scheme for enlargement	31/12/2000	-			

		Proposal to the Staff Regs committee	31/5/2001	-	Done January 2002.		
		Proposal to the Council (Staff Regulations)	31/2/2001	April 2002	<b>Adopted 24 April 2002</b>		
35	Access to career guidance	Creation of central career guidance function	31/12/2000		<b>Central career guidance unit established 1/9/2000</b>		√
		Creation of decentralised career guidance system	31/7/2001		<b>Career guidance system is now operational.</b>		
		New version of SYSPER	31/12/2003	2004	SYSPER II operating with several modules available and more to follow.		
36	Encouraging mobility	-	-	-	<b>Consultative Communication on mobility adopted 28/2/2001 SEC(2001)325.</b>	<i>Mobility introduced for all sensitive posts, including middle management.</i>	√
		(Commission Decision on mobility)	-		Guidelines for internal mobility adopted on 12/02/2002 SEC(2002) 146.		
		(Proposal to the Staff Regs. Committee)	-		Done January 2002.		
		(Proposal to the Council (Staff Regulations))	-	April 2002	Adopted 24 April 2002		
37	Inadequate performance	Consultative Communication on professional incompetence	31/10/2000	-	<b>Consultative Communication adopted 28/2/2001 SEC(2001)279.</b>	Early warning system: Special performance plan foreseen in case of insufficient markings in the career development report.	√
		Implementation of Early Warning System	31/12/2000		<b>Integrated in general rules for implementing Articles 43 and 45. (see action 33)</b>	Legal proposal has been submitted to Council and EP. Negotiations	

		Proposal to the Staff Regs Committee	30/4/2001		Done January 2002.	ongoing.	
		Proposal to the Council (Staff Regulations)	31/12/2001	April 2002	<b>Adopted 24 April 2002</b>		
38	Promoting a learning culture	-	-	-	<b>Consultative Communication on training guidelines adopted 28/2/2001 SEC(2001)323.</b>	No changes to the Staff Regulations necessary.	√
		Commission Decision on Training Guidelines	31/7/2000	April 2002	Final orientation adopted by the Commission on 30/10/2001 SEC(2001)1697/6. Commission decision on training guidelines adopted on 7 May 2002 C(2002) 729	<i>Training Day held on 27.11. 2003 to raise awareness among managers and staff of the content and potential of Commission training courses.</i>	
39	Supporting the reform process	Report on necessary training action linked to the Reform	31/11/2000	-	Training has been organised in particular in the areas of Financial Management (internal and external) and the new personnel policy. Reporting done via annual reports of Training Office.		√
40	Integrating training with other areas of human resource management	- No specific WP milestone or consultative document originally foreseen. See Action 38.	Ongoing	-	-		√

41	Reform of language training	Phasing of new approach to language training	30/9/2000	-	New "survival courses" for EN and FR have been developed especially for newcomers who have to become quickly operational. A similar reform of the pedagogy (in order to relate the language courses closer to the working needs) is planned also for the other languages.	<i>Commission decision on rules relating to access to language training is due to be adopted in March 2004.</i>  <i>New requirement in draft Staff Regulations to demonstrate competence in a third language before first promotion.</i>	√
42	New officials training programme	Proposal for new officials' programme (over a new 12 month probationary period)	31/10/2000	-	Original White Paper action replaced by new induction programme, implemented from late 2002.	<i>Certain modules to be organised on an inter-Institutional level from 1.5.2004 through the European Administrative School.</i>	√
43	Increase training budgets	Increases in training budget 2001-2003	-	-	The budget for general training in 2001 almost doubled compared with 2000. The budget for 2004 was increased by 37% compared with 2003.	Since 2000 DG ADMIN publishes detailed annual reports on training , covering all central -general and linguistic- training organised in Brussels and Luxembourg.	√
		Report on measures to increase internal training activities	31/10/2000	-			
44	a) Multiannual programme for transformation of credits into permanent posts	2001 Budget – credits -> permanent posts	31/12/2000	-	<b>100 conversions of credits into permanent posts were agreed in the 2001 budget.</b>		√
	b) Multiannual programme of transformation of temporary posts into permanent posts	2001 budget – temp -> permanent posts	31/12/2000	-	<b>90 conversions of temporary into permanent posts were agreed in the 2001 budget.</b>		
	c) Amendment of Commission decision on Seconded National Experts (DNE)	Draft Commission Decision on DNEs	30/11/2000	-	<b>Consultative Communication adopted 28/2/2001 SEC(2001)295.</b>		

		Commission Decision on DNEs	31/5/2001	April 2002	<b>Final Decision adopted by the Commission on 30 April 2002. C(2002)1559</b>	
	d) Recruitment of temporary agents	Draft Commission Decision on temporary agents	30/11/2000	-	<b>Consultative Communication adopted 28/2/2001 SEC(2001)295.</b>	Commission proposal for modifications to the Staff Regulations foresees the creation of a “contract agent”. Decision on temporary agents abandoned in the light of the Commission proposal.
		Commission Decision on temporary agents	31/5/2001		<b>abandoned</b>	
	e) Phasing out of all other contractual staff on core tasks	Phasing out of all other contractual staff on core tasks	31/12/2002	-	-	Ongoing process.
45	Use of non-permanent staff for non-core activities	Draft Code of Conduct for external personnel  No consultative document originally foreseen.	30/11/2000		<b>Consultative Communication on non-permanent staff adopted 28/2/2001 SEC(2001)295</b>  Final orientation adopted by the Commission on 30/10/2001 SEC(2001) 1697/6-1697/7  <b>Fast track Decision on 3 years contract for auxiliaries adopted on 18/3/2002</b>  <b>Commission Decision on ENDS 30.04.2002.</b>	<i>In light of the political agreement on the Staff Regulations to replace auxiliaries by contract staff, a major overhaul of the code of conduct has become necessary. Commission decisions on the tasks of and time limits for non-permanent staff will have to be adopted by 1<sup>st</sup> May 2004, the foreseen date of entry into force of the new Staff Regulations. Drafts have already undergone interservice consultation.</i>

		Commission Decision adopting new Code of Conduct for external personnel	31/5/2001				
46	Examine the need to change Staff Regulations for non-permanent staff	Examination of need to change the Staff Regs	31/12/2000	-	<b>Consultative Communication adopted 28/2/2001</b> SEC(2001)295	New "Contract Agent" for non core tasks executed by agencies or offices proposed. Legal proposal submitted to Council and EP.  <i>Replacement of Auxiliaries by time limited Contract Agents agreed in context of reform of the Staff Regulations.</i>  <i>A new decision on time limitations for non-permanent staff is due to be adopted in April 2004.</i>  <i>New implementing rules on tasks for non permanent staff are due to be adopted by April 2004.</i>	√
		(Proposal to the Staff Regs Committee)	-	-	Done January 2002.		
		Proposal to the Council (Staff Regulations)	-	April 2002	<b>Adopted 24 April 2002</b>		
47-51	Equal opportunities				Commission approves 'Targets for the recruitment and appointment of women 2000' (12/5/2000) C(2000)1071.	Legal proposal has been submitted to Council and EP. Negotiations ongoing.  Implementation of the Commission orientations of 31/10/2002 ongoing. Some long-term actions will be	√
		Consultative Communication on equal opportunities	31/10/2000	-	<b>Consultative Communications adopted 29/11/2000</b> SEC(2000)2085 SEC(2000)2084.		

		Commission Decision	-	May 2002	<b>Final Orientation on 30/10/2001.</b>	<p>included in the 4<sup>th</sup> action programme for equal opportunities for men and women at the European Commission.</p> <p><i>Guidelines on Moral Harassment were adopted in the context of a Communication concerning the Commission's policy on moral harassment of 22.10.2003.</i></p> <p><i>A Commission Decision on flexitime is foreseen to be adopted in April 2004.</i></p>	
		Proposal to the Staff Regs Committee	31/5/2001		<b>Done January 2002.</b>		
		Proposal to the Council (Staff Regulations)	31/12/2001	April 2002	<b>Adopted 24 April 2002</b>		
52	A more service-oriented DG ADMIN	Creation of a Customer Panel	31/7/2000	-	<b>Customer panel created 23/10/2000.</b>		√
		Commission Decision on role of DG Admin	28/2/2001	April 2002 and October 2002	<b>Commission Decision taken on 6.11.02</b>		
53	Reconciling professional & private lives	Consultative Communication on home / work life balance	31/10/2000	-	<b>Consultative Communication adopted 31/10/2000</b> SEC(2000)1806.	<p>Legal proposal has been submitted to Council and EP. Negotiations ongoing</p>	√
		Commission Decision on home/work life balance	-		Final orientations adopted by the Commission on 30/10/2001 SEC(2001)1697/6 - 1697/7.		
		Proposal to the Staff Regs Committee	31/5/2001		<b>Done January 2002.</b>		



		Proposal to the Council (Staff Regulations)	31/12/2001	April 2002	<b>Adopted 24 April 2002</b>		
54	Social policy	Consultative Document on social policy	31/10/2000	-	<b>Consultative Communication adopted 28/2/2001</b> SEC(2001)284.	Joint agreement between the OSPs and the Commission on the Social Welfare aspects of its human resources for Commission staff and action plan for provision of facilities and services for Commission staff adopted on 4 March 2002 (C 2002/842).  Legal proposal has been submitted to Council and EP in May. Negotiation ongoing.  <i>An Action plan on a new partnership with retired officials is foreseen for adoption in the form of a Commission Decision in September 2004.</i>	√
		(Commission Decision on social policy and possible proposal to the Staff Regs Committee)	-		Decision March 2002.		
55	Clear rules applied in a clear way	Staff Regs etc on-line	31/7/2000	-	<b>Staff Regulations etc published on intranet 1/12/2000.</b>	Implementation of action plan ongoing.	√
		Results of review of administrative procedures	31/12/2000	-	Action Plan for simplification and transparency in personnel policy was adopted in August 2001.		
56	Examination of Staff Regulations to remove outdated rules	Examination of Staff Regs	31/12/2000	-	Done (Working Document : "General Review" approved on basis of Commission orientation of 18/07/2001)	Legal proposal has been submitted to Council and EP. Negotiations ongoing.	√
		Proposal to the Staff Regs Committee	31/5/2001		Done January 2002.		

		Proposal to the Council (Staff Regulations)	31/12/2001	April 2002	Adopted 24 April 2002		
57-58	Discipline	Consultative Communication on discipline	31/10/2000	-	<b>Consultative Communication adopted 29/11/2001</b> SEC(2000)2079.	Legal proposal has been submitted to Council and EP. Negotiations ongoing.	√
		Commission Decision on administrative improvements	30/4/2001		<b>Decision adopted on 19/2/2002 C(2002) 540.</b>		
		Proposal to the Staff Regs Committee	30/4/2001		<b>Done January 2002.</b>		
		Proposal to the Council (Staff Regulations)	31/12/2001	April 2002	<b>Adopted 24 April 2002</b>		
59	Whistleblowing (rights & obligations for reporting)	Consultative Communication on whistleblowing	31/10/2000	-	<b>Consultative Communication adopted 29/11/2000</b> SEC(2000)2078.	No changes to the Staff Regs originally foreseen but now being proposed. Legal proposal has been submitted to Council and EP. Negotiations ongoing	√
		Proposal for an Inter-Institutional agreement	31/10/2000	-	Abandoned.		
		Commission Decision	31/3/2001		<b>Commission Decision to be adopted on 4 April 2002</b>  C (2002) 845		
		(Proposal to the Staff Regs Committee)	-		<b>Done January 2002.</b>		
		(Proposal to the Council (Staff Regulations))	-	April 2002	-		

60	Creation of a central mediation service	-	-	-	<b>Consultative Communication on mediation service adopted 18/7/2001</b> SEC(2001)1109 SEC(2001)1201.		√
		Creation of a central mediation service (Commission Decision)	31/12/2000		<b>Decision adopted on 4 March 2002 C 2002/601.</b>		
61	Proposed approach to pay & pensions	Extend existing Method	30/6/2000	-	<b>Regulation adopted (Council) 18/12/2000</b> (two year roll over). OJ L326 (22/12/00).	Legal proposal has been submitted to Council and EP. Negotiations ongoing  <i>Modernisation of pension system agreed in context of reform of the Staff Regulations.</i>	√
		-	-	-	<b>Consultative Communication on pay &amp; pensions adopted 28/2/2001</b> SEC(2001)274.		
		(Proposal to the Staff Regs Committee)	-		Done January 2002.		
		Proposal to the Council (Staff Regulations)	31/12/2001	April 2002	<b>Adopted 24 April 2002</b>		
62	Review of resources implications of reform & policy action	PDB 2001	30/4/2000	-	<b>Letter of amendment adopted 1/9/2000.</b>		√
		Commission Decision on 200 'Reform' posts	31/5/2000	-	<b>Communication adopted 12/7/2000</b> SEC(2000)1142.		
		Commission Communication	30/9/2000	-	<b>Communication adopted 26/7/2000</b> SEC(2000)2000 COM(2001)50.		

63	Description of the responsibility of financial actors	Commission Decision on Financial Reform package	31/5/2000	-	<b>Communication adopted 13/12/2000</b> SEC(2000)2203.	Charter of the Accounting Officer and of the Internal Auditor operational.	√
64	Delegation of powers	Commission Decision on Internal Rules on the Execution of Budget	31/3/2001	-	<b>Communication adopted 2/4/2001</b> SEC(2001)454.	Charter for Authorising Officers by Delegation & sub-Delegation operational.	√
65	Suppression of centralised ex-ante visas	Proposal to the Council (Financial Regulation)	30/4/2000	-	<b>Communication adopted 26/7/2000</b> COM(2000)461.	Council Regulation 25/06/02.	√
66	Financial Irregularities Panel	Commission Decision on setting-up Panel	30/6/2000	-	<b>New Financial Regulation of June 2002.</b>  <b>Commission decision C/2003/2247 of 9 July 2003</b>		√
67	Financial liability governed only by the Staff Regulations	Proposal to the Council (Financial Regulation)	30/4/2000	-	<b>New Financial Regulation adopted June 2002.</b>	<i>A Commission Communication on the implementation of Article 22 Staff Regulations (financial liability) has been prepared. Consultations ongoing.</i>	√
68	Setting up of an Internal Audit Service	Setting up of the IAS	31/5/2000	-	<b>Communications adopted 21/6/2000</b> SEC(2000)1354 and <b>31/10/2000</b> SEC(2000)1801.  IAS operational on 15/9/2000.		√
69	Reporting & Planning of the IAS	Internal & Forward Audit Plans 2001-2003	31/12/2000	-	Internal & Forward Audit Plans regularly transmitted to Audit Progress Committee and DGs		√

		Annual Internal Audit Report 2000	31/3/2001		Annual Internal Audit Report for 2000/2001/2002 taken note of by Commission on 3/7/2001,24/7/2002 and 9/72003.		
70	Separation of internal audit from financial control	Proposal to the Council (Financial Regulation – fast-track procedure)	30/4/2000	-	<b>Communication adopted 24/5/2000 COM(2000)693; Regulation adopted (Council) 9/4/2001 OJ L111 (20/4/01) and decision adopted on 3/7/2001 SEC(2001)1007 final.</b>	Separation of the Services became effective on 4 July 2001 (SEC (2001)1077).	√
71	An Audit Progress Committee (APC)	Commission Decision on setting up of APC	-	-	<b>Communication adopted 31/10/2000 SEC(2000)1808.</b>		√
72	Creation of a Central Financial Service	Commission Decision on setting up CFS	31/5/2000	-	<b>Communication adopted 1/5/2000 SEC(2000)560.</b>		√
		Creation of CFS intranet site	30/6/2001	-	<b>Site created October 2000.</b>		
73	Advice on contracting	Creation of a Central Contract Unit in DG Budget	30/6/2000		<b>Unit created 1/2/2001.</b>  <b>First package of standard contracts/agreements adopted in December 2003</b>	Second package of standard contracts/agreements will be adopted in the first half of 2004.	√
74	Contracts database	Temporary Contracts Database operational	30/6/2001	Second half of 2004	<b>Prototype contract database operational 30/6/2001.</b>	Contractors database and linked data base for the contracts will be finalised	-

		Decision on configuration of a definitive database	30/6/2001	Done in context of accounting reform	<b>Construction and tests of version 4, 5 and 6.</b>	in 2004.	
75	Operational manuals for financial management	Issue of manuals	30/11/2000		Administrative and Technical Assistance Vademecum adopted 13/11/2001 SEC(2001)1728.	Unique site for all financial issues available in BudgWeb Vade-mecum on Public Procurement provided to services in November 2003.	√
					Expenditure life cycle manual has been put on the Web on 17 December 2001.		
76	Contracts & grants	Proposal to the Council (Financial Regulation)	30/4/2000	-	<b>Proposal adopted 26/7/2000 COM(2000)461.</b>  <b>Council Regulation adopted on 25 June 2002.</b>		√
77	User networks	Establishment of Working Groups	31/12/2000	-	<b>1) RUF</b> (Réseau des unités financières, Network of financial units)  <b>2) Internal control coordinators network created in 2003</b>  <b>(both groups meeting monthly)</b>		√
78	Minimum standards for internal control	Draft Commission Decision	30/6/2000	-	Gradual implementation for the financial part in the first half of 2001.		√

		Commission Decision	30/9/2000	-	<b>Communication adopted 13/12/2000</b> SEC(2000)2203.  New version adopted on 21/12/2001 SEC(2001)2037.		
79	Segregation of duties & financial circuits	Internal reorganisation of duties	31/12/2000	-	<b>Communication adopted 13/12/2000</b> SEC(2000)2203.	New version established in September 2002 related to the new FR.	√
80	Evolution of the role of Finance Units in DGs	Change in the role of finance units	31/12/2000	-	<b>Communication adopted 13/12/2000</b> SEC(2000)2203.		√
81	Strengthening the role of the DGs' control function (Audit Capability)	Establishment of Internal Audit Capabilities in each Service	31/12/2000	-	<b>Communication adopted 31/10/2000</b> SEC(2000)1803.		√
82	Declaration by the Director general in her/his Annual Activity Report	-	-	-	Annual Reports done in 2002	Yearly process as established in Article 60 (7) FR	√
		First annual activity report	31/1/2001	1/5/2002	<b>Communication COM(2002)426 final adopted 24/7/2002.</b>		
83	Adequate levels of staffing	Amalgamated into Action 62.				See Peer Group review conclusions.	√
84	Review & assessment of current internal controls & financial processes	Describe current systems	30/4/2000	-	Description of current systems completed 31/5/2000 and updated in 2002 in order to integrate new elements in accordance with the new FR.		√
		Self-assessment	30/9/2000		Yearly rounds of self-assessment exercise completed since 2001		

85	Design of adequate internal controls & financial processes	Definition of control model	30/9/2000	-	Decisions made on model 1/9/2000.		√
		Changes in organisation charts	31/12/2000	-	<b>Organisational charts changed 1/10/2000.</b>		
		Compliance with all minimum standards	30/6/2001	-	<b>Summary report adopted by the Commission on 7/11/2001.</b>		
86	Deconcentration of financial controllers	-	-	-	<b>Communications adopted on reorganisation of financial control 12/7/2000</b> SEC(2000)1146 & SEC(2000)1142 & <b>25/4/2001</b> SEC(2001)618.	Physical deconcentration completed.	√
		Deconcentration	31/8/2000	-	-		
87	Review made by Commission's services in the change process	IAS review of reform progress in implementation of internal control in DGs.	31/3/2001		<b>Completed 26/3/2001.</b>		√
		IAS review of DGs' management & control systems	31/12/2002	31/09/2004	Delay by one year of in-depth audits due to knock on effect of decision to postpone by one year the DGs' first round of assurance statements	IAS review of DGs' process underlying their assurance declarations of May 2002 completed in July 2002.  Cycle of DG-specific in-depth audits started in July 2002, to be completed by December 2003, but delayed until 2004 because of special Eurostat audit..	
88	Financial Control DG & IGS	Commission Decision on the abolition of the Inspection Generale des Services (IGS)	30/4/2000	-	<b>Communication adopted 18/04/2000 (PV(2000)1475).</b>		



		Commission Decision on the abolition of DG Financial Control	following recasting of Financial Regulation	31/12/2002	<b>New Financial Regulation of June 2002 and APS 2003</b>		√
89	Consultation of Advisory Committee on Procurement & Contracts (ACPC)	Commission Decision on new implementing rules	30/6/2000		<b>Communication adopted 15/11/2000</b> SEC(2000) 1890.  <b>Regulation adopted 21/08/2001 OJ L 228 (24/08/01) and has taken effect on 31/08/01.</b>		√
90	Assessment of Human Resources needs for financial management & control	Amalgamated into Action 62				See Peer Group Conclusions.	√
91	a) Training on principles of the new Commission's financial system	Provide in-depth training in financial organisation	31/7/2001		Initial Training finalised end of 2000. Now integrated in continuous training schemes.	91c Ongoing, financial training forms an integral part of Commission's training programme. In October 2003 a DG Admin survey inquired about new and emerging training needs and additional courses are offered during 2004	√
	b) Training on 'value for money'		30/6/2001	-	Training had been on offer during 2002/2003		√
	c) Training on budgetary & financial management		31/7/2002	-	Ongoing activity.		√
92	Guidelines for sound project management	Guidelines Communication	31/12/2000	June 2002	Administrative Guide adopted in October 2003 incorporating draft guidelines prepared by OLAF.		√
93	Better co-ordination of interaction between OLAF & other services	Memorandum of Understanding of OLAF with	31/12/2000	June 2002	Provisional Memorandum of understanding signed between OLAF and central Commission	Further discussions on amended OLAF Regulation are underway	√

		other services			services.		
94	Fraud “proofing” of legislation & contract management	Commission Decision on risk assessment procedures	From May 2000 onwards	Ongoing	<b>Communication concerning fraud proofing of legislation and contract management adopted on 7 November 2001 SEC(2001) 2029 final.</b>	As regards the follow-up of the communication as far as legislation is concerned, a specific working-group, chaired by OLAF has been created. A follow-up regarding the whole communication is foreseen within the framework of the Commission annual report on the fight against fraud and the protection of the Communities’ financial interests .	√
95	Optimisation of Early Warning System	Commission Decision on optimisation of EWS	31/7/2000	-	<b>Communication adopted 31/10/2000 SEC(2000)1811.</b>	<i>Revision of the system adopted on 3 February 2004(C(2004)193final).</i>	√
96	More effective management of recovery of unduly paid funds	Redefinition of responsibilities and setting up an adequately staffed organisational structure	31/7/2000	-30/06/2002	<b>Communication adopted on the improvement of recovery, 03/12/2000 COM(2000)671 final.</b>  Revision and consolidation of internal procedures for the recovery of debts arising from direct management and the recovery of fines on 17.12.2002 (C(2002)5048/4)		√
			31/7/2000		<b>Communication provides the improvement of the roles of the different actors.</b>		
97	Improved financial monitoring and control of Structural Funds	New procedures on monitoring Structural Funds	31/12/2000		<b>Memorandum adopted on 14 August 2001, C (2001) 2517</b>		√
98	Simplified clearance procedure for EAGGF (FEOGA)	Statistical review & recommendations	30/6/2000		<b>Communication adopted on 5 September 2001, SEC (2001) 1921-</b>		√

**State of play in 01.01.04 of outstanding actions as at 01.01.03**

<b>Action</b>	<b>Objective</b>	<b>State of play in January 2004</b>
9a	Propose changes to EU legislative framework allowing use of electronic means for public procurement and transactions	Completed. - Text of procurement Reform agreed in Conciliation Committee on 9.12.2003.
9b	Review of internal practices and internal use of electronic signatures	Not completed.  The internal project plan has been set up and a prototype has been launched for electronic collection and dissemination of procurement notices (eTendering by OPOCE)
11	Make central invoice register available to services	Almost completed.  The Central Invoice Register is now deployed in 15 services. In order to complete the implementation of action 11 of the White paper all Commission services have been requested to gradually introduce the Central Invoice Register, unless a local IT system meets the same objective of registering claims on receipt, and of monitoring the respect of payment delays. The use of the "ABAC-Invoices", (with all the requirements for accrual accounting) which will replace the Central Invoice Register will be mandatory before the end of 2004 for all services. Work of the activities and timetable to fully integrate the activities of Community Delegations in third countries is ongoing.
18	Simplification of administrative procedures	Completed. (Inherently ongoing process, e.g. recently commenced work on empowerments in the Relex area to be concluded shortly).
22	Introduction of appraisal for A1s and A2s	Completed. A pilot scheme was undertaken and the legal base is contained in the revised staff regulations to enter into force on 1 May 2004. Final approach to be implemented then.
35	Provide access to career guidance	Completed. Central career guidance service is available for officials, IT tools to support career guidance (SYSPER II) are available, in particular with regard to job descriptions and will be developed further

42	New officials training programme	Completed. Plans for extended and comprehensive induction training for newcomers set out in the White Paper were adjusted. A new induction programme was implemented as from late 2002 comprising compulsory and optional modules depending on individual needs, e.g. financial training for newcomers in a financial management role.
45	Use of non-permanent staff for non-core activities	Completed. In light of the political agreements on the Staff Regulations to replace auxiliaries by contract staff, a major overhaul of the code of conduct has become necessary. Commission decisions on the tasks of and time limits for non-permanent staff will have to be adopted by 1 May 2004. Drafts have already undergone interservice consultation.
66	Financial Irregularities Panel	Completed. By decision C/2003/2247 of 9 July 2003, the Commission set up the Financial Irregularities Panel foreseen in Article 66 (4) of the Financial Regulation, which functions independently and is charged to determine whether a financial irregularity has occurred and what the consequences should be. The Panel will become operational in the coming months as soon as the president of the Panel and its members are appointed.
74	Contracts database	Not completed.  In the framework of the setting up of the Commission's modernised accounting system (ABAC) it has been decided to create one data base for data relating to the contractors (third party file (FEL)) which will be constructed during 2004 and a linked data base for the contracts which will be called ABAC-Contracts. The development of the latter will also be finalised in the first half of 2004. From that moment on, the services will start to collect all the data necessary to feed this data base.
92	Guidelines for sound project management	Completed. Administrative guide adopted in October 2003 incorporated draft guidelines prepared by OLAF
93	Better coordination between OLAF and other services	Completed. Memoranda of understanding signed between OLAF and Internal Audit Service, Investigation and Disciplinary Office (IDOC) and Secretariat General. Information flows determined in the context of the Eurostat action plan (see section 3.1). A separate legislative proposal is being made to review the OLAF Regulation

**The work of interservice policy-coordination groups in 2003**

Four permanent high-level interservice groups operate presently, each with different composition and mission, to ensure consistency in the implementation of the Commission's administrative Reform.

The **ABM Steering Group**, a major co-ordinating mechanism created by the Reform, is chaired by the Secretary-General and includes the Director-General of DG Budget, the Director-General of DG Personnel and Administration and the Heads of cabinet of the President, of the Vice-President responsible for the Reform and of the Commissioner for Budget. The initial mandate of the ABM Steering Group was limited to the issues related to Activity-based management. By decision of 2 October 2002<sup>14</sup>, the Commission extended the group's mandate to the co-ordination of all questions related to the Reform that have a political or strategic character.

In 2003, the ABM Steering Group met 10 times. The main results achieved over this period include: the central co-ordination and the definition of orientations on the strategic issues related to the 2004 Annual Policy Strategy and the Synthesis of the 2002 annual activity report; the Preliminary draft budget 2004; the decision to launch a study on the IT-tool supporting activity-based management in order to improve interoperability with other corporate systems and increase the user friendliness of the tool for the managers; the adoption of the necessary improvements concerning the monitoring of the management plans by the Commission's services; and the decision on allocation of the human resources for 2004.

The **Directors General Group** is chaired by the Secretary General and meets once or twice a week. It is responsible for ensuring the consistency of the implementation of administrative reform in the Commission and overseeing the co-ordination of policy implementation. It also provides a forum for the discussion of issues of horizontal interest. All Directors General and Heads of Service are members of the Group. The Group met 50 times in 2003, and dealt in particular with: the peer review of the draft reservations in the 2002 Annual Activity Reports (2 meetings); the readiness assessment of Internal Control baseline requirements (2 meetings); the preparation of the Annual Policy Strategy 2005; and the follow-up to the Annual Activity Reports' and Synthesis' action plans.

The Commission decision of 2 October 2002<sup>15</sup> fostered the creation of two new co-ordinating structures, the **Interservice Co-ordination Group**<sup>16</sup> and the **Group of Resource Directors**<sup>17</sup>. The Interservice Co-ordination Group met for the first time in

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<sup>14</sup> Communication on Delivering Reform and Improving Interservice Co-ordination SEC(2002)1040

<sup>15</sup> Communication on Delivering Reform and Improving Interservice Co-ordination SEC(2002)1040

<sup>16</sup> « Interservice cooperation on policy implementation should be improved through an intermediate structure to review agenda planning, identify issues requiring particular attention and oversee in a co-ordinated way the work of ad-hoc groups dealing with specific issues » (SEC(2002)1040/2, page 1)

<sup>17</sup> « For the delivery of administrative reform, resource directors should be brought together in a more structured way to discuss the detailed issues that require attention and ensure that the needs of operational services are being taken into account » (SEC(2002)1040/2, page 1)

January 2003 and held 11 meetings in 2003 (i.e. one meeting per month), whereas the Group of Resource Directors, which meets at least every two weeks, started its work in October 2002 and met 31 times up to end December 2003. Both are chaired by the Deputy Secretary-General in charge of co-ordination.

The **Interservice Co-ordination Group** (ICG) examines the Legislative and Work Programme of the Commission, monitors it quarterly, oversees every month the three-monthly rolling agenda of the Commission and identifies sensitive files, in particular to solve difference of views amongst Commission services. The first year of functioning of the ICG succeeded in improving the communication between services, in particular through the regular discussion on sensitive files. Also, this Group is being used to discuss and highlight concerns related to the implementation of the Commission's work programme, based on monthly updates of progress reports benchmarking the overall Commission performance and that of individual services. Furthermore, the Group constituted a useful discussion forum for crosscutting issues, such as better lawmaking and simplification of the Community acquis, as well as impact assessment. A more appropriate representation of the DGs inside the Group (e.g. at the level of Deputy Director-General or Directors responsible for policy programming or general affairs, as initially foreseen), could bring in the future further effectiveness to the Group's task of smoothing away controversial points in the initiatives to be submitted to the College. In parallel with the creation of the Interservice Co-ordination Group, a number of lower-level inter-service groups were dismantled or fused as part of an ongoing rationalisation in this area.

The **Group of Resource Directors** ensures the co-ordinated implementation of administrative Reform, provides feedback on the needs of the operational services, and is a forum for discussion and exchange of best practice between horizontal and operational services. Major reform-related discussions in 2003 concerned: the regular follow-up of the implementation of the new Financial Regulation; the assessment of the first Career Development Review (staff appraisal system) exercise; the definition of common rules for mobility of staff occupying sensitive posts, and the definition of recommendations for the improvement of internal communication in the Commission, including dissemination of best practice across services. Thorough discussions took place within this Group on enlargement-related administrative issues, such as integration of new staff from acceding countries, impact of the new official languages on the management of Community programmes. These important issues concerning administrative preparations for enlargement are also dealt with in an ad-hoc Group of Directors General.

## THE COMMISSIONERS AND DEPARTMENTS

### 5. PRINCIPLES

The Treaty establishing the European Community and legislation adopted pursuant to that Treaty ("secondary legislation") confer on the Commission several duties, such as:

- acting as guardian of the Treaty and the provisions taken by the institutions under it;
- exercising the powers of initiative regarding acts of the Community legislator and non-legislative acts of the Council ;
- formulating recommendations or opinions on matters covered by the Treaty;
- taking decisions in its own right;
- exercising the powers conferred by the Council or the legislator in order to apply the rules of secondary legislation ;
- implementing the budget and in particular acting as authorising officer, a task it can delegate to officials, as a general rule the Directors-General or Heads of Service, subject to the Staff Regulations and to other servants, the Financial Regulation, the Rules of Procedure and the rules laid down as part of the administrative and financial reform of the Commission.

To this end, the Commission acts collectively on the basis of the political guidelines set by the President. The chain of responsibility runs from the level of the College to the level of the Commissioner, who is answerable to the College for his/her activities and those of his/her departments. The Commissioner lays down, in the light of the guidelines and work programme of the Commission and the principle of collegiality, the policy guidelines and priorities relating to his/her portfolio. He/she shall ensure that it is implemented by his departments, supervising the management of his/her Director-General or Head of Service (hereinafter the Director-General) and giving him/her, where necessary, the guidelines or general instructions to put these policies and priorities into practice.

The chain of responsibility continues down to department level in the person of the Director-General, who is answerable to the Commissioner and the College for the proper implementation of the guidelines set by the College and the Commissioner and, in particular, for the management of the Directorate-General or Service in line with the distribution of powers as defined by the Staff

Regulations, the Financial Regulation, the Rules of Procedure and the rules laid down as part of the administrative and financial reform of the Commission<sup>18</sup>.

In order to exercise his/her political responsibility and play his/her supervisory role, the Commissioner must receive the appropriate information from his own departments and the central departments, including information with regard to the quality of internal control put in place in his/her departments. This exercise does not in any way release the Director-General from his/her duty of informing specifically the Commissioner of any fact, situation or matter relating to the management, in particular, financial management, which could have a serious impact on his/her responsibility or that of the College.

The working arrangements made by each Commissioner in agreement with his/her departments and the methods for circulating information between them are transmitted, by way of information to the Head of the President's cabinet and to the Secretary-General. Either of these may ask for further information and/or clarification.

**Relations between Commissioners (their Cabinets) and departments are based first and foremost on loyalty and trust.**

In addition to these general principles, the activities of Cabinets and departments are assigned with a view to complementing each other along the following lines.

## **6. THE CABINET, AN ADJUNCT TO THE COMMISSIONER**

The cabinet is an adjunct to the Commissioner. All information duly communicated to the cabinet in accordance with the working arrangements referred to above is information for the Commissioner.

- (1) The Cabinet shall first and foremost help to ensure that the principle of collective responsibility operates correctly by keeping the Commissioner informed about matters outside his or her own area of competence. In this connection it shall play an active role in the preparation of Commission meetings and ask questions and express points of view on behalf of the Commissioner on the items tabled for a decision. It shall also inform departments about the Commission's proceedings especially when they have a direct impact on the departments' own activities.
- (2) While avoiding any overlapping with the work of the departments, the Cabinet shall assist the Commissioner with the content and the policy priorities of his or her portfolio, and, in particular, ensure that the

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<sup>18</sup>Such as specified, in particular, in the following documents/communications :

- Charter of tasks and responsibilities of authorising officers (SEC(2000)2203);
- Internal control standards (SEC(2001)2037/4);
- Communication of 21/1/2003 – “Clarification of the responsibilities of the key actors in the domain of internal audit and internal control in the Commission – SEC(2003)59;
- Communication of 27 June 2001 – The annual reports and declarations required of Directors-General under the reform of the Commission (Action 82 of the White Paper) – SEC(2001)875/6;
- Commission Decision of 4 April 2002 on raising concerns about serious wrongdoings – C(2002)845



Commissioner is kept abreast of the information transmitted by departments in relation to matters of budgetary and financial management. It shall take part in the major stages of policy formulation by consulting the departments on the priorities set. The Cabinet shall ensure that priorities and programming are complied with. This monitoring function shall be performed on an across-the-board basis by the member(s) concerned without any direct reflection of the structure and organisation chart of the Directorate-General in question. The Cabinet shall inform departments about decisions taken by the Commissioner. It shall prepare the ground for political agreement by the College at the final decision-making stage.

- (3) In the interests of efficiency the Chef de cabinet and the Director-General shall keep each other fully informed about contacts with the outside on matters falling within the portfolio.
- (4) The members of the Cabinet shall represent the Commissioner at political level outside the institution, in accordance with the Commissioner's instructions. Technical matters falling within the Commissioner's policy area should preferably be handled by departments in order to prevent any duplication of effort.
- (5) The Cabinet shall act solely in the interests of the institution in performing its tasks.
- (6) The Cabinet shall comply strictly with the Commission's rules on security as contained in the Annex to its Rules of Procedure (see Decision C(2001)3031 of 29/12/2001 – OJ L 317, 3/12/2001).

## **7. THE DEPARTMENTS**

In accordance with the procedures described at point 4 below, departments:

- (7) shall ensure implementation of the priorities adopted and the guidelines set out at political level. To that end, they shall contribute to or prepare the instruments provided for in the strategic planning and programming cycle<sup>19</sup>: at the level of the Commission, the decision on the annual policy strategy, the preliminary draft budget and the legislative programme and work programme; at their own level, the annual management plan, which will serve as a reference framework for drafting the activity report at the end of the cycle;
- (8) shall help to prepare the policy guidelines the Commissioner has to set, by proposing strategy options, advising the Commissioner on individual political decisions and providing all the necessary background information. The departments shall also provide the Commissioner and his/her cabinet, in accordance with arrangements laid down, with any information necessary for their work, such as draft speeches or briefs;

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<sup>19</sup> SEC(2000)1294/4.

- (9) shall provide the Commissioner with regular and appropriate information on budgetary and financial matters relating to areas of activity under his/her responsibility. In addition, they shall report at any time on any important event in departments, in the Member States or in international bodies that might have an impact on his/her position in the College or on the sound management of appropriations or which could hamper the attainment of the objectives set;
- (10) shall coordinate with the Commissioner and his/her cabinet contacts with the outside world.

## **8. BASIC RULES**

In order to ensure that the institution operates as efficiently as possible, these principles shall be applied in accordance with the following rules.

### **8.1. Organisation of the work**

In order to ensure effective collaboration and optimum management of the flow of information between Cabinets and departments, the working arrangements must be laid down as soon as the Commissioner takes office.

The Director-General shall organise and coordinate the work of departments in accordance with the guidelines laid down by the Commissioner.

#### *8.1.1. Mission statement*

The Commissioner shall determine the general policy line for his or her area of responsibility, including the "negative priorities", within the Commission's overall policy framework. In close consultation with the Director-General, this policy line shall then be set out in a mission statement. This mission statement shall be drawn up in the first month of the Commission's term and shall be sent to the President for information; it shall be adjusted regularly as the situation changes.

The Director-General shall assume full management responsibilities on this basis. The Director-General may ask the Commissioner for written confirmation.

#### *8.1.2. Working arrangements and information channels*

Working arrangements and information channels shall be laid down in the first month of the Commission's term of office by the Director-General and the Chef de cabinet, who will ensure that they are endorsed by the Commissioner<sup>20</sup>.

A copy of these arrangements shall be sent to the President's Chef de cabinet for information.

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<sup>20</sup> Concerning Interinstitutional offices, these rules should be established without prejudice to those set out in the basic act establishing the office.

These rules must comply with the principles of loyalty, accountability, decentralisation, effectiveness, information and non-interference and cover the following areas:

- Organisation of frequent and regular meetings between the Directorate-General and the Commissioner. At the very least a strategic meeting should be held once a month and a meeting on audits and internal control twice a year.
- Channels for requests from the Commissioner and the departments' replies:
- Contact points must be established for political issues and for routine management matters, including matters relating to internal control. Decisions will also have to be taken at the start of the term of office on the arrangements for setting deadlines and for transmitting replies. In the interests of simplification and assumption of responsibility, it is suggested that routine replies, i.e. those involving the Directorate-General's known and established position, should be sent direct by the Unit Head (or Director) to the member of the Cabinet handling the matter with a courtesy copy to the central contact point. Replies involving the determination of a new position or altering a position previously held and those on matters considered sensitive shall be sent by the Director-General to the Commissioner (or, where appropriate, to the Chef de cabinet).
- Arrangements will also be made for sharing between the Commissioner's Office and departments responsibility for:
  - handling the Commissioner's mail;
  - producing files or briefs and preparing speeches;
  - dealing with requests for files or speeches from other Commissioners;
  - representing the Commissioner and making travel arrangements;
  - monitoring the decisions taken at the regular meetings described above, in particular, decisions relating to audits.

To safeguard the organisational structure and the information and coordination channels set up, requests sent by a Cabinet to a department for which it is not responsible should in principle go via the Office of the Commissioner responsible. Similarly, departments will, as a rule, refrain from contacting other Cabinets direct; where they do so they will inform their own Cabinet of these contacts.

#### *8.1.3. Specific cases of launching new initiatives and handling sensitive information for which the Commissioner and/or the College could be held responsible*

Before launching any new initiative, other than on purely routine management matters, the Director-General shall first secure the agreement of the Commissioner, especially if initiating inter-departmental consultations. On

matters of major importance joint meetings of Directors-General and Chefs de cabinet may/must be held.

As stated in point 3 above, departments are required to inform the Commissioner of any sensitive information which could call into question his/her responsibility or that of the College. The information is passed on through a formal referral procedure characterised by the following:

- written information giving rise to a formal and rapid reaction from the Commissioner in the form he/she considers most appropriate (personal interview, request for further information ....);
- on the basis of further discussions or information, the drawing up of a documented action plan, the implementation of which is the subject of specific monitoring provisions agreed between departments and the Commissioner.

On taking office, the Commissioner must be informed of serious situations which had arisen previously and which have not yet been fully resolved. Information on any new situation of that kind that arises during his/her term of office must be provided immediately.

## **8.2. Management of resources**

### *8.2.1. Management of financial resources*

**On taking up office**, the Commissioner shall be informed by the departments of the scope, the respective responsibilities, the problems and risks linked to financial management in the Directorate-General or Service. The information shall include a detailed description of the financial circuits in place in the Directorate-General or Service, including internal control arrangements. The Commissioner shall also be informed of the most recent reports of the Court of Auditors, Parliamentary debates relating to the discharge, previous Annual Activity Reports, any comments by the Internal Audit Service (IAS) or the Central Financial Service (CFS), OLAF investigations closed or still ongoing<sup>21</sup>, internal audit reports and progress made in the implementation of measures or action plans adopted on any of these matters. The Commissioner may, where necessary, ask the Commission to have the IAS carry out an immediate audit on an aspect of the financial management of the Directorate-General.

**During the term of office**, departments shall send to the Commissioner for approval the main documents relating to the strategic programming cycle<sup>22</sup>.

Moreover, the Commissioner shall be regularly and properly informed of:

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<sup>21</sup> Except where OLAF has specifically prohibited this.

<sup>22</sup> See point 3.1 above. This concerns, in particular, contributions to the APS decision, to the preliminary draft budget, to the legislative programme and work programme, and documents linked to those contributions such as budgetary planning (commitments/payments) and the (pre)legislative proposals submitted to the Commission for approval.

- any proposal to make changes in the financial circuits and control systems; in the event of a disagreement those changes are set out in a proposal to be submitted to the Commission for a decision;
- all audit work (and a related risk assessment) undertaken by the various control bodies (and, in particular, the internal audit capability (IAC), the IAS, the European Court of Auditors the Directorate-General or the Service by way of *ex post* controls and OLAF). There shall be a meeting on this information at least every six months between the Commissioner and the Director-General, who will give an account of these meetings in the activity report.

Without prejudice to the procedure provided for in point 4.1.3 above, departments shall also inform the Commissioner of comments relating to his/her area made by Members of the European Parliament, in particular in written or oral questions, and any allegations of irregularity or fraud brought to the notice of the Director-General.

The aim of this dialogue is to inform the Commissioner before the drafting of the activity report, of any qualifications (comments and/or reservations) which could be added to the declarations. The action plan proposed by the Director-General shall be the subject of a written document and a specific follow-up procedure.

With regard to the budget for administrative appropriations, there shall be strict demarcation between the Directorate-General and the Commissioner's Office in the management of its appropriations, for items such as mission expenses, entertainment expenses, etc.

#### 8.2.2. *Management of human resources*

The guiding principle shall be to apply fully the general rules adopted by the Commission as part of its administrative reform.

For non-management staff appointments shall be the responsibility of the Director-General, acting in conjunction with the Directorate-General for Personnel and Administration as regards the official instruments.

For appointments of Heads of Unit and Advisers, the Director-General shall conduct the selection procedure and choose the most suitable candidate in accordance with the specific procedures adopted by the Commission<sup>23</sup>. He/she shall inform the Commissioner of his/her choice prior to formally adopting the decision in accordance with the AIPN rules.

Appointments to A1 and A2 posts shall be made in accordance with the specific procedures adopted by the Commission<sup>24</sup>.

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<sup>23</sup> SEC(2000)2305/5

<sup>24</sup> SEC(1999)1485 & SEC(2000)2305/5

Vacancy notices for management posts (A1, A2, Heads of Unit) must be published within no more than three months from when the post falls vacant.

### **8.3. Referral to the President**

Should the Commissioner and the Director-General disagree on the application of this code or differ in their interpretation of its contents, they may refer the matter to the President.

**Summary of internal control provisions as developed since March 2000,  
including measures taken in the wake of the Eurostat crisis**

The March 2000 White Paper set out an internal control architecture that provides a continuous assessment of internal control in the Commission in order to take remedial action when necessary. The prime vehicle for this process is the Annual Synthesis Report, which summarises the contents of Annual Activity Reports of Directors General and Heads of Service. In addition, changes to the internal control framework are made based on recommendations by the Court of Auditors and the European Parliament. As a result, while the general internal control framework set out in March 2000 has remained stable, the roles of its principal actors and, above all, the information flow between them has evolved over time. It is therefore necessary and useful to consolidate the main decisions that constitute amendments to the White Paper in one place, including the measures proposed in the wake of the Eurostat crisis in the present Progress Report.

This annex serves this specific purpose. It is based on a recommendation made by the Court of Auditors in its Annual Report for Financial Year 2002, which is also reflected in requests made by Members of Parliament in the course of the discharge procedure.<sup>25</sup> Significant changes to the original functions, mandates and procedures set out in the March 2000 White Paper are indicated in *italics*. The first two sections provide an overview of actors and procedures related to financial management and internal audit, respectively. Section 3 summarises changes to the framework of budgetary execution and initiatives to protect the Community's financial interest. The relevant actions of the March 2000 White Paper Action Plan are referred to in the margin.

## **9. FINANCIAL MANAGEMENT**

### **9.1. Authorising Officer and Authorising Officers by Delegation and Subdelegation**

#### *9.1.1. Definition and codification of the function*

The new Financial Regulation reflects the principles set out in the White Paper. While the Institution (i.e. the College) has the function of Authorising Officer, it delegates financial management and control to Authorising Officers by Delegation (i.e., Directors General and Heads of Service). Delegated Authorising Officers are responsible for financial management in their services, including functions that had previously been fulfilled at central level, such as, for instance, the centralised ex-ante visa performed by the Financial Controller, which was abolished in the context of Reform. Delegated Authorising Officers can subdelegate certain functions to Authorising Officers by

Action 64

Action 65

Action 86

Action 88

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<sup>25</sup> The Court of Auditors specifically mentions that “new actions were introduced when the reform of the internal control system was put into effect...Under these circumstances it would be much easier to study the progress of the reform if all the action plans and updates of the White Paper actions could be consolidated within a single document...” *Annual Report concerning the financial year 2002. Section 1.108*. This reasoning is confirmed in the analysis of the Court's comments in the Working Document about the reform of the Commission by G.Dell'Alba, Member of the European Parliament (*PE 338.173*).

Action 63 Subdelegation. The rights and obligations of Delegated and Subdelegated Authorising Officers were laid down in accordance with the White Paper in two different charters.<sup>26</sup>

*While the role of Delegated Authorising Officers has not changed – they remain at the centre of the internal control system and take full responsibility for internal control systems under their responsibility – the Commission has decided to make their reporting requirements more specific than originally foreseen in the Charter of Authorising Officer by Delegations. It decided in July 2003 that Authorising Officers by Delegation should report at least twice a year to their Commissioner on work undertaken by their internal audit capabilities and appropriate issues arising from the work of the Internal Audit Service, the Court of Auditors, the Directorate General itself and OLAF.<sup>27</sup> The revised Code of Conduct for Relations between Commissioners and their Services, which is attached to the present Progress Report, emphasises the political responsibility exercised by the Commissioner by specifying the minimum frequency and precise nature of information a Commissioner must receive from his/her services.<sup>28</sup>*

#### 9.1.2. Annual Activity Reports and Declarations

Action 82 Delegated Authorising Officers are required to issue an Annual Activity Report and Declaration, in which they report about the achievement of objectives specified in their Annual Management Plan. In particular, they provide an assurance to their Commissioner and the College about financial management in their services and highlight material deficiencies, if any, of the internal control system under their responsibility. Subdelegated Authorising Officers issue regular reports, which are also used in the preparation of the annual activity reports.

*Starting with Action 10 of the Synthesis Report 2002<sup>29</sup>, the Commission has reviewed and refined the methodology for establishing Annual Activity Reports and Declarations. As recommended by the Court of Auditors, the refinements are undertaken with a view to making reservations clearer and better understood and to ensuring full comparability across Commission services. In addition, Resource Directors will be asked to comment on those parts of the Annual Activity Reports and Declarations which concern internal control.<sup>30</sup>*

Action 83 In order to ensure adequate controls, Delegated Authorising Officers must make sure to earmark human and administrative resources needed for proper monitoring and control of programmes in the framework of activity-based management.

*In reaction to the Annual Activity Reports for financial years 2001 and 2002, the Commission asked its services to provide priority in resource allocation for units that are specifically dealing with internal control and audit matters. In addition, services were*

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<sup>26</sup> Supporting the Reform of Financial Management. SEC(2000)2203/5 and SEC(2001)454

<sup>27</sup> 2002 Synthesis of Annual Activity Reports and Declarations of Directors General and Heads of Service. COM(2003)391 final

<sup>28</sup> Reform Progress Report on the year 2003

<sup>29</sup> 2001 Synthesis of Annual Activity Reports and Declarations of Directors General and Heads of Service. COM(2002)426 final

<sup>30</sup> Reform Progress Report on the year 2003



*asked to identify training and recruitment needs in order to allow the design of training and recruitment programmes.*<sup>31</sup>

Action 80 and 81 *As concerns Subdelegated Authorising Officers, the Commission recognised the specific role of financial units and control functions, when it decided that each Directorate General and Service should have a coordinator (contact officer) – who is the Resource Director or equivalent - for the coordination of internal control, who would provide all relevant information to the Central Financial Service*<sup>32</sup>

### 9.1.3. Regular self assessments

Action 84 *In the autumn of 2000, Directorates General began the process of self assessing their internal control systems, using the draft Internal Control Standards as a basis, with a view to establishing the systems which would need to be in place on removal of the centralised ex-ante visa.*

*The self assessment methodology has now become a regular part of the services' own evaluation and reporting process. In the framework of the 2002 Synthesis report, services have also used this approach in order to assess the implementation of the internal control baseline requirements by the end of 2003.*

## 9.2. The Central Financial Service

Action 72 *The creation of the Central Financial Service (CFS) followed the Commission decision to create a specific service in support of financial management in Directorates- General and services. The CFS defines the regulatory framework for using Community finances and the Standards for Internal Control. It supports Commission services by laying down standard model contracts and by providing advice on internal control and financial management, including contract management and procurement procedures. For this purpose, the CFS uses specific user networks, such as the RUF ("Réseau des Unités Financières") and the Internal Control Coordination Network. The CFS also develops and manages common financial management information systems, provides operational manuals of financial management and organises training courses on financial and internal control matters.*

Action 78

Action 72  
Actions 73 & 76

Action 77

*While the role of the CFS today does not substantially differ from that set out in the White Paper, the Commission has asked the CFS to provide a yearly overview of the Internal Control System to the College as well as a mid-term review. For this purpose, the Commission has also specified that Resource Directors in Directorates General should supply the CFS with the basic information on which its overviews are based.*<sup>33</sup>*The aim is to produce a summary of the state of play on internal control and to identify best practices and potential weaknesses at Commission level.*

Action 75

Action 91

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<sup>31</sup>2001 Synthesis of Annual Activity Reports and Declarations of Directors General and Heads of Service. COM(2002)426 final. 2002 Synthesis of Annual Activity Reports and Declarations of Directors General and Heads of Service. COM(2003)391 final

<sup>32</sup> The basic functions of finance units are set out in: Supporting the Reform of Financial Management. SEC(2000)2203. For the role of Resource Directors in liaising with the Central Financial Service see: Clarification of the roles of key actors in internal audit and internal control in the Commission (SEC(2003)59 of 21.1.2003).

<sup>33</sup> Clarification of the roles of key actors in internal audit and internal control in the Commission (SEC(2003) 59 of 21.1.2003.Reform Progress Report on the year 2003.

*For this purpose, DG Budget has made specific working arrangements between the Central Financial Service and Directorates General. A 'position statement' for each DG will be produced under the responsibility of the CFS, but with the cooperation of and in conjunction with the Directorates General and based on agreed sources of information, including audit reports, work done by Directorates General to support their Annual Activity Reports and the information sent at least twice yearly to Commissioners on audit and control issues.*

### *9.2.1. Setting Internal Control Standards*

*Action 78* In December 2000, the Commission adopted a proposal for 24 internal control standards, which had been developed by DG Budget's Central Financial Service.<sup>34</sup> This was a key step forward in that it constituted for the first time a framework of internal control based on internationally accepted norms and standards and provided a wide ranging definition of internal control which embraced both financial and non-financial aspects. The standards are based on the following control components: Control Environment, Performance and Risk Management, Information and Communication, Control Activities and Audit and Evaluation. They cover the broad spectrum of the activities undertaken by the Commission at all levels.

*Action 78* *By December 2001, services had some experience of trying to implement the Control Standards. Attention was primarily focused on financial matters, but a number of horizontal initiatives, for example on human resource and Activity Based Management issues were being made more concrete. Also, it was soon realised that some of the initial expectations on timing were unrealistic. The aim therefore was to define common baseline requirements through all services and which would reflect the complementary initiatives already underway and whose meaning would be clearer to services.*

*As a result, this question was addressed in the 2001 and 2002 Synthesis Reports. Services self-assessed the expected level of implementation of internal control baseline requirements by the end of 2003.<sup>35</sup> The results indicate that, with a few exceptions, most Directorates General expected to have reached a high degree of compliance by the year end. In mid-February 2004, Directorates General will be expected to confirm that their expectations have been realised in practice. This update is likely to form the basis of an annex to the 2003 Annual Activity Reports.*

### **9.3. The Accounting Officer**

*Action 74* *While Accounting Reform was not included in the March 2000 White Paper, it was proposed as part of the recasting of the Financial Regulation in 2001. It is clear that the fundamental overhaul of the accounting system is essential for the implementation of a number of actions mentioned in the White Paper. In particular, financial management information system, such as the Central Invoice Register and the Contractors Database, will be integrated in the new accounting system.*

*Deadlines for the presentation of an Accounting Reform Project were therefore set in Action 16 of the 2001 Synthesis report. As a result, the Commission adopted its Communication of the modernisation of the accounting system in December 2002.<sup>36</sup> At the same time, it upgraded the function of the Accounting Officer to A1 level. The*

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<sup>34</sup> Supporting the Reform of Financial Management. SEC(2000)2203

<sup>35</sup> 2002 Synthesis of Annual Activity Reports and Declarations of Directors General and Heads of Service. COM(2003)391 final

<sup>36</sup> COM(2002)755

*objective of the project is to have an accrual-based accounting system in place by the beginning of 2005, which is compliant with the formal requirements of the new Financial Regulation.*

## **10. INTERNAL AUDIT**

### **10.1. The Internal Audit Service (IAS)**

*Action 68* The IAS became operational in September 2000. It is not itself responsible for the implementation and management of controls, which is why it was established as a separate structure independent from Financial Control as soon as an amendment to the Financial Regulation made this possible. Under Article 86 of the revised Financial Regulation the IAS is responsible for assessing the suitability and effectiveness of internal management systems and of the internal control and audit systems. Its mission is to assist management in controlling risks, monitoring compliance, to provide an opinion on the quality of management and control systems and to improve efficiency and effectiveness of operations.

*Action 69* The service reports to the Vice-President for Reform and works on the basis of a risk based Annual Plan and a three year rolling Forward Audit Plan. Its rights and obligations are laid down in a specific charter.<sup>37</sup> Its first task, which should conclude this year, is a series of in-depth audits of all Commission services.

*Action 87*

*Since its creation, the Commission has not changed the function of the Internal Audit Service, but has enlarged its mandate, specified its reporting requirements and strengthened its relations with Internal Audit Capabilities. The scope of IAS work has been enlarged by the new Financial Regulation's provision that the Internal Auditor of the Commission is also the Internal Auditor of Community Agencies. The IAS will issue an annual report and an interim report summarising the result of completed audits, recommendations issued and follow-up work that was undertaken. The IAS will also receive IAC reports. In addition, the IAS will chair meetings of Auditnet, which brings together all Internal Audit Capabilities of the Commission. The IAS will therefore pursue the objectives of coordination and professional guidance with existing resources (i.e. through correspondents work and resources available for coordination work) while its major task remains that set out in the Financial Regulation and to provide an audit opinion for internal controls in the Commission as a whole. Besides increasing the number of staff in the IAS to cope with its mandate to audit Community Agencies, the Commission has also recently adopted a strengthening of the service through a change in its organigramme, which provides for an additional Director-level post.<sup>38</sup>*

### **10.2. Internal Audit Capabilities**

*Action 81* Internal Audit Capabilities (IACs) were created in services to provide assurance to Directors General on the functioning of internal control. Their specific function and reporting requirements as well as the establishment of Auditnet, which brings together the IAS and all IACs, were specified in October 2000.<sup>39</sup>

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<sup>37</sup>Charter of the Internal Audit Service of the European Commission. SEC(2000) 1801//2.

<sup>38</sup>Clarification of the roles of key actors in internal audit and internal control in the Commission (SEC(2003) 59 of 21.1.2003. Reform Progress Report on the year 2003.

<sup>39</sup>Conditions for the Creation of an Internal Audit Capability in each Commission Service. SEC (2000) 1803.

*The function of IACs has not changed since then but was reconfirmed in Action 13 of the Synthesis Report on the 2001 AARs. This report confirmed that the IACs are not responsible for installing or managing control systems and do not form part of the management control function. They report to the Director General and should express an opinion on the state of internal control as a contribution to the preparation of the Annual Activity Report. They are expected to co-operate constructively with the IAS in coordinating their respective work plans.<sup>40</sup> As laid down in the present Progress Report, IACs will in future send all their completed audit reports to the IAS, highlighting critical findings.*

### **10.3. Audit Progress Committee**

Action 71

The Audit Progress Committee (APC) was established to ensure the independence of the IAS and to monitor the control processes of the Commission through the results of audits undertaken by the IAS and Court of Auditors, the implementation of audit recommendations and the quality of audit work undertaken. Its main task so far has been to ensure that services follow up audit recommendations made by the IAS. Its rights and obligations are laid down in a specific charter.<sup>41</sup>

*While the function of the Committee has not changed, it took measures to address comments made by the Court of Auditors in its Annual Report for the year 2001. In order to manage any appearance of potential conflicts of interest, the Committee decided that its Members would not chair agenda points that related to services under their political responsibility. In addition, the Commission decided that the Committee's Secretariat would move from DG Budget to the Secretariat General. The Commission also accepted the recommendation of the Committee to recruit a second external member, who must be a specialist in internal audit.*

## **11. THE FRAMEWORK FOR BUDGETARY EXECUTION AND THE PROTECTION OF THE COMMUNITY'S FINANCIAL INTERESTS**

### **11.1. Legislative basis for expenditure**

The new Financial Regulation provides the general obligation for the Commission to adopt a *basic act* before the appropriations entered in the budget for any Community action may be used as already convened in the Interinstitutional Agreement.

The exceptions from this principle are very limited: pilot schemes, preparatory actions, institutional prerogatives, administrative autonomy. This has led Commission to propose basic acts to cover for a transition period of two years grants to specific beneficiaries so far only earmarked by the Budgetary Authority, notably on the basis of the former A-30 chapter.

According to Article 75 of the Financial Regulation, the financing decision must be adopted by the Institution or authorities to which powers have been delegated by the Institution. Article 90 of the Implementing Rules of the Financial Regulation provides that the financing decision shall determine the essential elements of an action involving expenditure from the budget. It is on the basis of this financing decision that the delegated authorising officer takes the acts of budgetary implementation.

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<sup>40</sup> Clarification of the roles of key actors in internal audit and internal control in the Commission (SEC(2003) 59 of 21.1.2003. Reform Progress Report on the year 2003.

<sup>41</sup> The Audit Progress Committee of the European Commission. SEC(2000)1808/3

## **11.2. Setting a legal framework of the attribution and the management of grants and procurement procedures**

The new Financial Regulation and its implementing rules provide a clear legal framework for procurement and introduce rules for Community grants. The fundamental principles, such as transparency and equal treatment during the award procedure concerning grants and respect of the principle of sound financial management in the field of the execution of grants (principles of co-financing, interdiction of cumulative and retrospective awards).

*Action 76* The Commission has adopted a standard grant agreement for financing an action carried out by a beneficiary third party (single-beneficiary agreement) and a standard grant agreement to finance the operation of a beneficiary third-party body in order to help services to apply the relevant provisions and to harmonize the terms of agreements to be established between Commission and beneficiaries. A practical guide for grants and a standard framework partnership grant agreement are being prepared.

*Action 75* In November 2003 the Central Financial Service has provided a new Vade-mecum on Public Procurement to the services, which is in line with the new legal requirements. Commission services are provided with standard service and standard framework supply contract. A standard service framework contract, a supply contract and a low-value supply/service contract are under preparation.

## **11.3. Better protection of the Financial Interests of the Communities**

The above mentioned actions related to grants and procurement made it possible to reinforce the provisions related notably to the requirement of financial guarantees, to suspension of contracts and agreements in the event of errors or irregularities and their termination in order to protect the financial interests of the Communities.

The new Financial Regulation reinforces the protection of the financial interests of the Communities *before* a contractual relation exists between the Communities and a third party, as it provides the obligation (and not a possibility as provided for by the public procurement directives) for the contracting authority:

- To exclude all tenderers, candidates or applicants from participation in a procurement or award procedure if one of them are in a situation referred to by article 93 of the FR. These situations have been taken from the Public Procurement directives, although the FR has added the cases of convictions for fraud, corruption, involvement in a criminal organisations or any other illegal activity detrimental to the Communities' financial interests and serious breach of contract for failure to comply with their contractual obligations. This provision has already been applied in the framework of the EUROSTAT file, in which Commission had decided to cancel contractual relations with entities which, at the same time, have been candidates in procurement or award procedures.
- To exclude all third parties that are subject to a conflict of interest or are guilty of misrepresentation in supplying required information for participation in a given award procedure (Article 94 of the Financial Regulation) from the award of the contract or grant concerned.

The Financial Regulation offers the possibility for the contracting authority to impose administrative (exclusion from all contracts and grants financed by the Community budget

for a period defined in article 133 of the Implementing Rules of the FR) and financial penalties.

- Action 92* Concerning other measures set out in the White Paper, the Administrative Guide adopted in October 2003 incorporates guidelines for sound project management prepared by OLAF. A Communication concerning fraud proofing of legislation and contract management was adopted on 7 November 2001.<sup>42</sup> As regards the follow-up of the communication, a fraud proofing procedure on bilateral basis with OLAF and the DG in charge of the concerned legislative project has been set up providing for an examination by OLAF even before the Interservice Consultation. In addition to that, a specific working-group, chaired by OLAF has been created.
- Action 94*
- Action 93* For better coordination of interaction between OLAF and other services, the Commission adopted on 23 July 2003 a provisional Memorandum of Understanding.<sup>43</sup> However, the Commission is now proposing specific amendments to the OLAF Regulation, which will supersede this MoU.
- Action 95* The Commission has taken into account new exclusion cases in its Early Warning System and has invited the other institutions, via their Accounting Officers, to name their points of contact which will be empowered to receive information on exclusions cases in accordance with Article 95 of the Financial Regulation. This information flow will be subject to specific security provisions.
- Action 79*
- Action 85* In its internal decision-making mechanisms, the Commission has ensured that the principle of segregation of duties is fully implemented via a number of financial circuit models, from which Delegated Authorising Officers could choose.<sup>44</sup> *In Action 10 of the 2001 Synthesis Report the Commission asked its services to assess at the end of 2002 their readiness for complying with the new Financial Regulation by beginning of 2003, including the revision of their financial circuits and control environment.*<sup>45</sup>

#### **11.4. Amplification of the recovery procedure for funds wrongly paid**

- Action 96* The new Financial Regulation and its implementing rules define the role of the authorising officer when establishing and recovering the receivable amounts, and empower the accounting officer to recover amounts by offsetting against claims. The Commission has updated its internal procedure provisions for the recovery of entitlements arising from direct management and the recovery of fines, lump sums and penalty payments under the Treaties of 17 December 2002 (C-2002-5048/4). The Commission has also updated the Guidelines on the application of the principle of proportionality and the waiving of recovery of an established amount receivable in accordance with the obligation of the institutions in accordance with Article 87 (2) of the implementing rules of the Financial Regulation.

*Internally, the Commission asked Delegated Authorising Officers to address the recovery of amounts due on direct expenditure in their annual management plans and charged the*

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<sup>42</sup> SEC(2001) 2029 final.

<sup>43</sup> SEC(2003) 871final.

<sup>44</sup> Supporting the Reform of Financial Management. SEC(2000)2203.

<sup>45</sup> 2001 Synthesis of Annual Activity Reports and Declarations of Directors General and Heads of Service. COM(2002)426 final.

*Directorate General for Budget with the leadership of a monitoring process on clearance of the backlog of recoveries.*<sup>46</sup>

### **11.5. Deontology and reinforcement of the liability of financial actors**

Beside the provisions mentioned above, the new Financial Regulation defines the notion of conflict of interests (Article 52), which covers a wide range of situations and provides a clear procedure to be followed. This framework is better adapted to assure the impartiality of officials and agents and as a result of the institutions themselves.

*Action 67* Financial liability of all officials is set out in Article 22 of the Staff Regulations, to which Article 66 FR refers. The Commission has adopted on 23 July 2003 a working document on the application of Article 22 which sets out the conditions for its application as well as the procedure to be followed. The *concertation* process with the Trade Unions and Staff Associations (OSP) has started in November 2003 and is still ongoing.

*Action 66* By decision of 9 July 2003, the Commission has set up the Financial Irregularities Panel foreseen in Article 66 (4) of the Financial Regulation, which functions independently and is charged to determine whether a financial irregularity has occurred and what the consequences should be. Having secured an external President for the FIP, the Panel will commence its work early in 2004.

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<sup>46</sup> 2002 Synthesis of Annual Activity Reports and Declarations of Directors General and Heads of Service. COM(2003)391 final.

<b>REFORM PROGRESS INDICATORS</b>				
<b>OBJECTIVE</b>	<b>PURPOSE</b>	<b>INDICATOR</b>	<b>2002</b>	<b>2003</b>
<b>Creating a culture based on service</b>	<b>Ensure timely response when dealing with the public</b>	Average number of days to carry out a payment	43.7	42.9
		% of mail answered within standard deadline	70%	>80%
<b>Improving priority setting and efficient use of resources</b>	<b>Promote greater efficiency</b>	Average vacancy rate of available posts <sup>47</sup>	2.5% (November 2002)	1.9% (December 2003) <sup>48</sup>
		% of officials re-deployed to priority activities per year <sup>49</sup>	3.5% (APS 2003 Decision)	5.8% (APS 2004 Decision) <sup>50</sup>
<b>The overhaul of financial management, control and audit</b>	<b>Improve implementation of the budget</b>	Degree of implementation of the Budget plan covering commitments and payments per budget heading <sup>51</sup>	Commitments: 98% Payments: 76%	Commitments: 99% Payments: 90%
		<b>Ensure effectiveness and efficiency of operations</b>	Average number of days to carry out a payment	43.7
	Variation of RAL in %		13.7%	4.9% <sup>54</sup>
	Variation of potentially abnormal RAL <sup>53</sup>	-	-12%	

<sup>47</sup> Data refers to the 'budget de fonctionnement'

<sup>48</sup> Taking into account the first wave of early retirement. If the second wave of early retirement is also taken into account, this produces a figure of 1.4%.

<sup>49</sup> The ratio is affected by the enlargement exercise and the number of posts granted by the budgetary authority. The target for this indicator is to have a positive figure (indicating mobility), rather than an increasing percentage.

<sup>50</sup> Includes the confirmation of 2003 frontloading for enlargement as well as additional posts for 2004, which provides for an exceptionally high figure.

<sup>51</sup> Covers the following headings: structural operations, internal policies, external actions and pre-accession aid.

<sup>52</sup> Data represents 72.71 % and 313.174 of the total of payments made in 2003.

<sup>53</sup> Covers the following headings: agriculture, structural operations, internal policies, external actions and pre-accession aid.

<sup>54</sup> Preliminary figure.



OBJECTIVE	PURPOSE	INDICATOR	2002	2003
<b>Bringing about a modernised staff policy</b>	<b>Strengthening staff skills</b>	Average number of training days per official	6.9 (2001)	8.32
	<b>Modernise equal treatment provisions, social welfare facilities and working conditions</b>	% of women recruited annually at A grade entry level <sup>55</sup>	27.6%	33.3%
		% of women in management positions <sup>56</sup>	11.1% across A1,A2 and A3 6.6% for A1 15.7% at A2 11.1% for A3	11.6% across A1, A2 and A3 6.6% for A1 16.7% at A2 11.4% for A3
		Length of waiting lists for crèches	Around 300 waiting as at January 2002.	362
		Number of officials on part time work	1077 (5.3% of total)	1349 (6% of total)

<sup>55</sup> Source: Equal Opportunities – Monitoring. Data refers to permanent officials on all budgets.

<sup>56</sup> Data refers to permanent officials on all budgets.