



Procedure file

Basic information		
INI - Own-initiative procedure	2008/2150(INI)	Procedure completed
Commission action plan towards an integrated internal control framework		
Subject 8.40.03 European Commission 8.70.03 Budgetary control and discharge, implementation of the budget		

Key players			
European Parliament	Committee responsible	Rapporteur	Appointed
	CONT Budgetary Control		06/05/2008
		PPE-DE STAUNER Gabriele	
	Committee for opinion	Rapporteur for opinion	Appointed
	BUDG Budgets		09/07/2008
		PPE-DE GRÄSSLE Ingeborg	
European Commission	Commission DG	Commissioner	
	Budget	KALLAS Siim	

Key events			
27/02/2008	Non-legislative basic document published	COM(2008)0110	Summary
19/06/2008	Committee referral announced in Parliament		
20/01/2009	Vote in committee		Summary
27/01/2009	Committee report tabled for plenary	A6-0022/2009	
09/03/2009	Debate in Parliament		
10/03/2009	Results of vote in Parliament		
10/03/2009	Decision by Parliament	T6-0088/2009	Summary
10/03/2009	End of procedure in Parliament		

Technical information	
Procedure reference	2008/2150(INI)
Procedure type	INI - Own-initiative procedure
Procedure subtype	Initiative

Legal basis	Rules of Procedure EP 54; Rules of Procedure EP 54-p4
Stage reached in procedure	Procedure completed
Committee dossier	CONT/6/64119

Documentation gateway

Non-legislative basic document		COM(2008)0110	27/02/2008	EC	Summary
Document attached to the procedure		SEC(2008)0259	27/02/2008	EC	
Committee draft report		PE415.353	17/11/2008	EP	
Committee opinion	BUDG	PE416.303	12/12/2008	EP	
Committee report tabled for plenary, single reading		A6-0022/2009	27/01/2009	EP	
Text adopted by Parliament, single reading		T6-0088/2009	10/03/2009	EP	Summary
Commission response to text adopted in plenary		SP(2009)3060	04/06/2009	EC	

Commission action plan towards an integrated internal control framework

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

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

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

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

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

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

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

The **principal incomplete actions** are:

- action 7, the development of "agreed upon procedures" in education and culture was postponed to 2008 due to updates of DG EAC's audit methodology. This work will be completed by December 2008;
- action 10, the collection of data on costs of control in agriculture and the structural funds has been completed and analysis is underway. The results will be reported in a Communication in October 2008;
- action 11N, modifications to ABAC in February 2008 will allow clear tracking of multiannual recoveries from 2008 on;
- action 16, a sampling guide for Commission services, as well as a specialist sampling guide for the Structural Funds, will be made available in Summer 2008. The revised structural funds audit manual will be completed during the year to take account of the new regulations.

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

Commission action plan towards an integrated internal control framework

The Committee on Budgetary Control unanimously adopted the report by Gabriele STAUNER (EPP-ED, DE) on the Commission action plan towards an integrated internal control framework, stressing that, to support the strategic objective of receiving a positive declaration of assurance from the European Court of Auditors, the Commission adopted the aforementioned action plan to address 'gaps' in the Commission's control structures at the time. This plan identified 16 areas for action by the end of 2007, taking into account that improvement of financial management in the Union must be supported by a close monitoring of controls in the Commission and the Member States.

In this context, while MEPs welcome the overall progress made in the development of the Action Plan and the fact that a majority of actions have been implemented and most of the gaps identified in the Action Plan filled, they regret that the actions proposed lack clarity in some respects. They call on the Commission to indicate at which stage it finds itself in the process of achieving an integrated internal control framework, and when it expects the measures taken to have visible and positive effects. MEPs expect the Commission to adopt the next progress report before 30 January 2009 so that real improvements made can be taken into consideration in the discharge resolution in respect of the financial year 2007. They regret, however, that, so far, the Commission has not been able to present complete and reliable figures on recoveries and financial corrections due to Member States' reporting problems. They therefore ask the Commission to solve these problems as soon as possible.

Moreover, MEPs stress that it is the impact of the actions which will form the basis of the evaluation of the success of the Action Plan (including through decreasing error rates) and that improvements should be seen in the European Court of Auditor's Annual Report for 2008.

MEPs consider the actions envisaged by the Commission in its action plan and make the following observations:

- acceptable risk of error (Actions 4, 10 and 10N of the action plan): MEPs regret the fact that in two of the most important actions for this Parliament there is a degree of delay with regard to the planned calendar: Action 4 concerning the launching of an inter-institutional initiative on the basic principles to be considered regarding the risks to be tolerated in the underlying transactions. They therefore call on the Commission to promptly adopt the promised communication on this issue, with the aim of re-launching the inter-institutional discussion on tolerable risk and to fully disclose to the public the methods being used for the determination of rates of error. MEPs also remind the Commission of the importance of carrying out the comparative analysis, which alone will enable the establishment of an acceptable risk level of error, and of forwarding it to Parliament, the Council and the Court of Auditors. MEPs also call on the Commission (for Actions 10 and 10N on reliable information on the costs of the control systems and on possible means of simplification) to find a better balance between the need for controls and the aim of lessening the administrative burden for applicants and beneficiaries of EU funds;
- cooperation with the Member States is needed (Actions 1, 3, 3N, 5, 10, 10a, 11N, 13 and 15): with regard to the implementation of these actions, MEPs ask the Commission to use every available tool at its disposal to implement them fully as soon as possible and call on the Court of Auditors to report in more detail on cooperation;
- annual summaries and management declarations (Actions 5 and 13): while MEPs welcome the annual summaries of available audits and declarations at national level, they regret that Parliament has until now not received complete information from the Commission concerning the assessment and comparative analysis of the first annual summaries presented. Moreover, they note that, for the Court of Auditors, annual summaries do not yet provide a reliable assessment of the functioning and effectiveness of the system;
- typology of error and relationship with recoveries and financial corrections (Action 11N): MEPs regret the fact that, despite the considerable efforts made by the Commission, it was unable to present complete figures or demonstrate that the figures eventually presented could be clearly reconciled with the published financial statements. They therefore encourage the Commission to complete the implementation of this important action in order to obtain a greater degree of compliance with reporting requirements;
- cooperation with the National Supreme Audit Institutions (Action 8N): lastly, MEPs fully support the cooperation started by the Commission with some of the National Supreme Audit Institutions in order to increase assurance as regards the execution of programmes in the Member States.

Commission action plan towards an integrated internal control framework

The European Parliament adopted by 647 votes to 8, with 19 abstentions a resolution on the Commission action plan towards an integrated internal control framework.

Parliament stresses that, to support the strategic objective of receiving a positive declaration of assurance from the European Court of Auditors, the Commission adopted the aforementioned action plan to address 'gaps' in the Commission's control structures at the time. This plan identified 16 areas for action by the end of 2007, taking into account that improvement of financial management in the Union must be supported by a close monitoring of controls in the Commission and the Member States.

In this context, while Parliament welcomes the overall progress made in the development of the Action Plan and the fact that a majority of actions have been implemented and most of the gaps identified in the Action Plan filled, it regrets that the actions proposed lack clarity in some respects. It calls on the Commission to indicate at which stage it finds itself in the process of achieving an integrated internal control framework, and when it expects the measures taken to have visible and positive effects. Parliament regrets that, so far, the Commission has not been able to present complete and reliable figures on recoveries and financial corrections due to Member States' reporting problems.

Moreover, Parliament stresses that it is the impact of the actions which will form the basis of the evaluation of the success of the Action Plan (including through decreasing error rates) and that improvements should be seen in the European Court of Auditor's Annual Report for 2008.

Parliament considers the actions envisaged by the Commission in its action plan and make the following observations:

- acceptable risk of error (Actions 4, 10 and 10N of the action plan): Parliament regrets the fact that in two of the most important actions for this Parliament there is a degree of delay with regard to the planned calendar: (i) Action 4 concerning the launching of an inter-institutional initiative on the basic principles to be considered regarding the risks to be tolerated in the underlying transactions (Parliament urges the Commission to promptly adopt the promised communication on this issue, with the aim of re-launching the inter-institutional discussion on tolerable risk); (ii) Actions 10 and 10N on reliable information on the costs of the control systems and on possible means of simplification (Parliament asks for a better balance to be found between the need for controls and the aim of lessening the administrative burden for applicants and beneficiaries of EU funds);
- cooperation with the Member States is needed (Actions 1, 3, 3N, 5, 10, 10a, 11N, 13 and 15): Parliament asks the Commission to use every available tool at its disposal to fully implement these actions as soon as possible. It also calls on the Court of Auditors to report in more detail on cooperation;

- annual summaries and management declarations (Actions 5 and 13): Parliament regrets that Parliament has until now not received complete information from the Commission concerning the assessment and comparative analysis of the first annual summaries presented. Moreover, it notes that, for the Court of Auditors, annual summaries do not yet provide a reliable assessment of the functioning and effectiveness of the system;
- typology of error and relationship with recoveries and financial corrections (Action 11N): Parliament regrets the fact that, despite the considerable efforts made by the Commission, it was unable to present complete figures or demonstrate that the figures eventually presented could be clearly reconciled with the published financial statements. It therefore encourages the Commission to complete the implementation of this important action in order to obtain a greater degree of compliance with reporting requirements;
- cooperation with the National Supreme Audit Institutions (Action 8N): lastly, Parliament fully supports the cooperation started by the Commission with some of the National Supreme Audit Institutions in order to increase assurance as regards the execution of programmes in the Member States.