



COMMISSION OF THE EUROPEAN COMMUNITIES

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**COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN  
PARLIAMENT AND THE COUNCIL**

**PROGRESS REPORT ON THE COMMISSION REFORM BEYOND THE REFORM  
MANDATE**

# COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL

## PROGRESS REPORT ON THE COMMISSION REFORM BEYOND THE REFORM MANDATE

### 1. INTRODUCTION

In 2000, the Commission launched an unprecedented administrative Reform project which was built upon previous modernisation initiatives. During its term in office, it laid the groundwork for the most radical administrative transformation since the institution's creation, aimed at overhauling working methods, financial management systems and personnel policy. Measures were taken in four areas, the "pillars" of Reform: Creating a culture based on service and efficiency; Strategic Planning and Programming, Personnel Policy; and Audit, Financial Management and Control. These measures were based on five key principles: independence, responsibility, accountability, efficiency and transparency.

The Reform mandate was designed to equip the Commission with new administrative and managerial tools to deal with its expanded role and competencies within the European Union and to adapt to a changing international environment. It addressed many of the Commission's longstanding problems and shortcomings which had been documented in internal and external reports and studies. The Commission's credibility with external stakeholders and the public in general had been seriously questioned. It became imperative for the Commission to refocus on its core activities and political objectives. A new robust financial management, control and audit system was vital to remedy the weaknesses identified. A modern personnel policy was required to make full use of staff competencies, while a more service-orientated culture was necessary to address the needs of both external stakeholders and personnel.

These were the main areas of the Reform, which led to a fundamental change in the way the Commission works, moving from a more traditional centralised bureaucracy set up to deal with the problems and responsibilities of the past towards a more performance-based management organisation geared to facing the challenges of the present and the future. With the reform instruments in hand, the Commission will now move on to consolidating and fine-tuning them and will pursue their simplification with a service orientated point of view and with the necessary flexibility to improve their efficiency and effectiveness.

This report, which covers the period from February 2004 to the present, responds to the specific request by the European Parliament in its resolution on the Commission's legislative and work programme 2005<sup>1</sup> for an account of the state of implementation of the Reform. The Commission takes this opportunity to take stock of the progress achieved and to present its outlook for developments in the areas of strategic planning, financial and human resource management and working methods during its term in office.

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<sup>1</sup> (P6\_TA(2005)0053).

## 2. REVIEW OF PROGRESS ACHIEVED

The period covered by this report witnessed the completion of all the reform-related measures set out in the Commission's White Paper on the Reform. The underlying objective of the Reform was to introduce a new service-orientated culture to enable the Commission to focus on its core activities and political objectives and thus deliver its policies more effectively and efficiently.

To reinforce transparency and efficiency of the Commission's activities, a Strategic Planning and Programming (SPP) cycle was put in place, which integrates the planning and budgeting processes. This cycle is founded on Activity-Based Management (ABM), the cornerstone of the Commission's integrated performance management system.

Human resource management moved forward with the adoption of the new Staff Regulations, which, among other things, established a linear career system designed to increase staff motivation and enhance meritocracy. The Commission ensured both stability during the enlargement phase and a smooth transition to the new Staff Regulations, which came into force on 1 May 2004.

The financial management system was modernised by expanding the responsibilities of authorising officers and by increasing their accountability. The introduction of accrual accounting as of January 2005 was an important part of this modernisation process. In addition, internal controls and audit were developed to enhance the efficiency and effectiveness in the use of Community resources. As these tools have been integrated in the daily management of Commission Departments, the Commission is now entering a phase of further consolidation.

### *Creating a culture based on service and efficiency*

#### *Transparency and responding to the public*

Reform has brought significant improvements to the Commission's transparency and efficiency in dealing with the public. The Code of good administrative behaviour has set rules aimed at guaranteeing high quality service to the public. These include the right of every person to have her/his affairs handled impartially, fairly and within a reasonable time. Transparency about its work has been developed by various measures, including the creation of a website providing information on the Commission's strategic planning, day to day activities and results achieved.<sup>2</sup>

The number of requests for access to Commission documents has continued to rise sharply (70% increase from 2003 to 2004), while the rate of positive replies remained stable at around two-thirds. The number of hits on the "Openness and Access to Documents" website tripled in 2004 as compared to the previous year. On 30 January 2004, the Commission adopted a report on the implementation of the principles of the Regulation regarding public access to documents.<sup>3</sup> This report concluded that the objectives of the regulation were met.

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<sup>2</sup> [http://europa.eu.int/comm/atwork/index\\_en.htm](http://europa.eu.int/comm/atwork/index_en.htm).

<sup>3</sup> COM(2004) 45.

## *Governance and better regulation*

Administrative reform has contributed to the objective of improving European governance. In particular, the changes envisaged in the Commission's June 2002 Action Plan on Better Regulation, e.g. establishing principles and minimum standards for consulting the public, and guidelines for the collection and use of expert advice, have now been fleshed out and are being progressively integrated into the working methods of the Commission.<sup>4</sup> For example through the website "*Your voice in Europe*",<sup>5</sup> members of the public can take part in interactive policy-making by contributing to debates on emerging policy issues and responding to public consultations. Furthermore, the Prodi Commission introduced measures to improve the management of infringements procedures for failure to comply with Community law. These measures will in turn help the Commission to meet its commitments under the Inter-Institutional Agreement on "Better Lawmaking", which was signed in December 2003.

To ensure that its proposals meet the highest standards of quality and are developed on the basis of careful analysis of their potential effects, the Barroso Commission has put renewed emphasis on *impact assessment* of major legislative and policy-defining proposals in the Commission's Annual Work Programme, particularly as regards the assessment of key economic impacts. Through impact assessment and public consultation, the quality of the proposals (and hence the speed with which they can be adopted by the Council and European Parliament) will be further enhanced.<sup>6</sup> The delivery of items in the Work Programme has been substantially improved from under 50% at the start of the last Commission to 70% in 2004. For 2005, the Commission aims to implement 90% of its Work Programme.

A revised impact assessment approach was set out in the Commission Staff Working Document *Impact Assessment: Next Steps in support of Competitiveness and Sustainable Development*<sup>7</sup> of October 2004 and further consolidated in the March 2005 Communication *Better Regulation for Growth and Jobs in the European Union*.<sup>8</sup> The Commission's internal Impact Assessment Guidelines were also reviewed and endorsed by the Commission in June 2005,<sup>9</sup> giving clearer guidance both on how, for example, to take the principles of subsidiarity and proportionality into account and how to assess economic and competitiveness impacts. They also underline the need to examine a range of policy options with a view to improving the conditions not only for business but also for individuals.

As announced in its March communication on better regulation for growth and jobs, in September the Commission presented the results of a screening exercise of pending legislative proposals and announced its intention to withdraw 68 of these. In October 2005, a new phase of its legislative simplification programme was presented, based on the result of stakeholder consultation and a more sectoral approach. A public web consultation was launched on 1 June 2005. Specific invitations were also addressed to Member States and key stakeholders to contribute to this exercise with suggestions for simplification to improve the business environment and competitiveness.

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<sup>4</sup> COM(2002) 275 and COM(2002) 278.

<sup>5</sup> [http://europa.eu.int/yourvoice/index\\_en.htm](http://europa.eu.int/yourvoice/index_en.htm).

<sup>6</sup> Since its introduction in 2003, the Commission has carried out more than 100 impact assessments.

<sup>7</sup> SEC(2004)1377.

<sup>8</sup> COM(2005)97.

<sup>9</sup> SEC(2005)791.

Following the presentation in March 2005 of a Commission Staff Working Document on administrative costs and a pilot phase during April-September 2005, the Commission presented its position on a common methodology for measuring administrative burdens to be applied by EU institutions and Member States when assessing the impacts of EU legislative initiatives.

### *Simplification of procedures and working methods*

Simplification of procedures and working methods is an ongoing facet of reform and has developed beyond what was envisaged in the White Paper. An Interim Action Plan<sup>10</sup> was successfully concluded, including actions to simplify the decision-making process. A major overhaul of the Commission's Manual of Operating Procedures was completed in 2003. 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.

In line with the Union's e-Europe action plan, the e-Commission action plan was launched in 2001 with the aim of modernising the Commission's internal administrative procedures, improving communication between the Commission and its outside partners and developing the services which the Commission provides to the public and businesses. A number of initiatives have already been launched to implement leading web-based solutions in the areas of human resources and financial control. The Commission's document management policy is being reformed by way of a major initiative called e-DOME<sup>11</sup>. Digital technologies enable the Commission to exchange information more effectively, radically transforming the way it communicates with the various civil society groups and its partner institutions. In October 2004, the Commission complemented its *e-Commission* action plan with memoranda on new IT governance and interoperability.

### *Working methods of the Members of the Commission*

In December 2004, the Members of the Commission agreed on a number of new internal working methods aimed at improving coordination and preparation of its work.<sup>12</sup> The instruments include increased use of Groups of Commissioners for the purpose of internal coordination. The new working methods have been reflected in the revised Internal Rules of the Commission.

### *Externalisation and the Commission's Administrative Offices*

In the context of the White Paper on Reform, the Commission developed a policy of externalising implementation tasks of certain programmes to executive agencies. The aim is to focus Commission staff resources on the institution's core tasks and to achieve the goals of Community programmes more effectively. Three executive agencies are established and should be fully operational by late 2005/early 2006.<sup>13</sup> Preparations for establishing two other executive agencies are well advanced.<sup>14</sup>

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<sup>10</sup> SEC(2000) 1757/6.

<sup>11</sup> e-DOME<sup>11</sup> stands for Electronic Archiving and Document Management in the European Commission.

<sup>12</sup> SEC (2004)1617/4.

<sup>13</sup> The Intelligent Energy Executive Agency, the Executive Agency for the Public Health Programme, and the Education, Audiovisual and Culture Executive Agency.

<sup>14</sup> Including the Trans-European Transport Network Executive Agency and the Seventh Research Framework Programme Executive Agency structures referred to in COM(2005)119.

In 2004, the three administrative offices (PMO, OIB, and OIL) completed their second year of operations, passing from a transition phase to a consolidation phase. Their Management Boards consider the underlying reasons for their creation to be still largely valid. The Offices executed their management plans successfully; the use of performance indicators in 2005 will provide a more substantiated assessment of their operations. Further clarification of competencies between the Offices and DG ADMIN is necessary in specific domains.

### ***Strategic planning and programming***

Like other performance management systems, the Commission's Strategic Planning and Programming (SPP) cycle begins with strategy-setting and high-level objectives, which feed through into resource allocation and operational planning, followed by an implementation and monitoring phase, ex-post reporting, and a continuous improvement loop provided notably by evaluation and audit. The SPP cycle has put policy priorities at the heart of the decision-making process, including resource allocation. While the Annual Policy Strategy (APS) defines policy priorities and the corresponding resource needs, the Preliminary Draft Budget presents a more detailed request for resources on the basis of performance information by activity.

ABM instruments are integrated into the Commission's working methods and are used to communicate with other institutions. Managers are required to focus on delivering priority objectives, to set related actions, and to monitor and report on performance. More remains to be done, however, to increase the influence of the instruments on policy, including more systematic use of performance information (objectives measured by means of indicators) to improve the day-to-day management of activities. Greater political involvement in this field would allow the Commission to make fuller use of its performance management system.

In early autumn 2004, the Budgetary Authority provided the Commission with *feedback on the performance information* used to justify the preliminary draft budget in a report from the Presidency of the Council<sup>15</sup> and a working document of the European Parliament.<sup>16</sup> Despite the Commission's efforts to take the recommendations into account, the use of performance information by the Budgetary Authority remains limited, which has led to the reform having limited impact on the budgetary procedure itself.

The *2004 Synthesis Report*,<sup>17</sup> adopted in June 2005, enabled the Commission to take stock of the internal management of its departments. Although in principle the relevant information is available in the annual activity reports, in ex-post evaluations and in other mandatory reports, external reporting on policy results will be improved to enable readers to get an overview of achievements on priority initiatives.

### ***Strategic Objectives 2005-2009***

In January 2005, the Commission presented its *strategic objectives for the period 2005-2009*,<sup>18</sup> and the *work programme for 2005*.<sup>19</sup> In short, the strategic objectives focused on prosperity – of particular importance, given the link to the “growth and jobs” agenda of the

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<sup>15</sup> COMBUD 140/04 of September 2004.

<sup>16</sup> DT/539456 of August 2004.

<sup>17</sup> COM(2005)256.

<sup>18</sup> COM(2005)12 of 26.01.2005.

<sup>19</sup> COM(2005)15 of 26.01.2005.

Lisbon strategy – solidarity in an enlarged Union and security, as well as the projection of those goals outside the Union.

When presenting the multi-annual strategic objectives and the work programme, President Barroso expressed the ambition of this Commission to work even more closely with Parliament and the Council to deliver common objectives. This ambition later guided the revision of the *Framework Agreement* between the Commission and Parliament, stressing regular, bilateral dialogue at the highest level. President Barroso also placed new emphasis on communication, *listening* to the citizens, and working *for* and *with* them.

### ***Personnel Policy***

The new Staff Regulations, the last major legislative component of the Reform, were formally adopted on 22 March 2004 and entered into force on 1 May 2004. This event marked the conclusion of a long and arduous ‘overhaul phase’ during which the necessary regulatory framework of internal reform was put in place. The Staff Regulations were complemented by the adoption of implementing rules concerning the personal liability of staff, professional incompetence, and contract and temporary staff. The gradual phasing-out of auxiliary staff began in 2004 and, in June 2005, EPSO launched a competition for contract staff to set up its database. In addition, following the conclusion of a “one-off” scheme for termination of service (*dégagement*) and the conclusion of the preparations for enlargement, a redeployment exercise was carried out to assign human resources where departments needed those most.

2005 marked the completion of the third full exercise of the new staff appraisal system. However, since this remains a sensitive issue for staff, an in-depth external evaluation of the system was launched in March 2004. This evaluation was conducted with a view to improving, in particular, the link between merit and promotion and the differentiation of career progress and also to addressing questions of transparency.

The *Guidelines on Mobility* have led to an improvement in the way in which mobility is managed in the Commission and good practices are being disseminated with the aim of bringing about a system of career management through which the Commission can ensure that the ‘right person is in the right job at the right time’, thus achieving efficiency and effectiveness. While the experience of mobility has overall been positive, some adverse effects of compulsory mobility for sensitive posts, such as loss of expertise and institutional knowledge, were noted and need to be addressed.

Training continued to play a key role in the Commission’s human resources policy. Overall, the average number of training days per official in 2004 was 9.1, a significant increase on the 2001 figure of 6.9. The general training budget, which grew steadily in 2002 and 2003 after a considerable increase of 63.6% in 2001, was further augmented by 37% in 2004. The creation of the European Administrative School in January 2005 should further reinforce training in the Institutions.

An evaluation of management training and development in the Commission concluded that management training as provided by the Commission’s Central Training Unit is comprehensive and highly regarded by trainees. By the end of 2004, approximately 800 managers had completed the Middle Management Training Programme. A follow-up programme was developed and introduced in late 2004, focusing on action learning. Work began in 2004 on the development of a Senior Management Programme and a Leadership Programme for senior managers.

The Commission adopted three Communications in 2004 and 2005 relating to the recruitment of staff from the new Member States at all levels.<sup>20</sup> They specified the methodology and procedures to be applied to senior management recruitment and laid down the general principles to be applied during a transition period. In addition, they set both overall targets and targets for middle management recruitment per Commission Department for 2004 and 2005. While the targets set for staff were basically achieved, the recruitment of managers, in particular of middle managers, experienced delays and, therefore, is being monitored closely.

The Commission adopted the *Fourth Action Programme for Equal Opportunities for Women and Men at the Commission*, which aims to support the Commission's policy of equality between women and men and also proposes a number of measures which draw on the key findings of an external evaluation completed at the end of 2003. These actions have contributed to meeting the Commission's targets for recruitment and appointment of women foreseen for 2005.

### ***Audit, financial management and control***

#### *Major initiatives in internal control*

The 2004 Annual Activity Reports (AARs) of Commission Departments drew a globally satisfactory picture of the management and control situation. The "reservations"<sup>21</sup> included in the activity reports indicate that most underlying problems are recurring and are being solved in a mid-term timeframe. The 2004 Synthesis Report,<sup>22</sup> adopted by the Commission in June 2005, took stock of this situation and laid down actions to expand the Commission's responsibility, monitoring capacity and accountability, such as the "Roadmap to an integrated control framework" and a Commission-wide risk management methodology, see below.

In the wake of the events concerning Eurostat, the 2004 Code of Conduct for Commissioners<sup>23</sup> introduced a stipulation which is still in force that all Commissioners be informed at least every six months of the difficulties and risks linked to financial management, of the effectiveness of internal control and audit, and of issues raised by controlling bodies or the discharge authority.

As of 2004 the focus shifted from evaluating compliance with regulations and procedures to analysing the effectiveness of internal control<sup>24</sup> with respect to the main control objectives. Also, training courses were organised with a view to improve ownership of both internal control and risk management.

As regards risk management, 2004 saw the first steps towards a common approach for the whole Commission: a draft pilot framework was proposed for seven Commission Departments as a basis for evaluating their major risks and defining related action plans, while drafting their annual management plan for 2005. An inter-service steering committee has

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<sup>20</sup> SEC(2005)811, SEC(2004)253, SEC(2004)1602.

<sup>21</sup> Serious weaknesses as regards the sound financial management, the legality or the regularity of underlying transactions for which corrective actions have been launched.

<sup>22</sup> COM(2005)256.

<sup>23</sup> COM (2004) 93 final, annex 4.

<sup>24</sup> The internal control standards implemented in the Commission are largely based on the COSO framework (the Committee of Sponsoring Organizations of the Treadway Commission).



since followed up the development of a common approach, adopted by the Commission in October 2005.

Following the synthesis of the 2002 AARs, a new ex-post control network was set up to define guidelines and circulate best practices among Commission Departments.<sup>25</sup> One of its objectives is to agree on a common terminology and a typology of errors.

As stated in the overall positive assessment of the Commission's evaluation framework by the Court of Auditors in September 2005, the Commission's Departments continued to expand and improve their evaluation activities, increasingly addressing activities outside the traditional area of expenditure programmes (e.g. policies and horizontal themes). Marked progress has been made in the field of ex-ante evaluation, in particular in those areas where evaluations of this kind had been combined with an impact assessment. At central level, increasing importance has been attached to producing highly synthesised papers on evaluation highlights so as to enhance higher level use of evaluation data.

2005 saw the adoption by the Commission of the roadmap towards an integrated internal control framework<sup>26</sup> and the drafting of the related report on the gap assessment<sup>27</sup> between the internal control framework within the Commission and the control principles set out in the Court of Auditors' proposal for a Community-internal control framework (opinion N° 2/2004). The aim of these documents is first to pave the way towards clearer accountability arrangements and greater assurance for the Community budget execution; and secondly, to demonstrate more clearly the sound functioning of these processes to the Discharge Authority and the European Court of Auditors in the context of its annual declaration of assurance (DAS) regarding the legality and regularity of the underlying transactions. This will require the active involvement of Member States as regards shared management.

#### *Major initiatives in financial management and accounting*

In 2004, preparations were undertaken for the transition to accrual accounting on 1 January 2005. The new accounting system complies with the international accounting standards for the public sector developed by the International Federation of Accountants (IFAC) and could help the Commission become a leader in this field. This has required major efforts throughout the Commission, notably in terms of information systems and training and of registering legal entities, invoices, fixed assets, prefinancing and guarantees for current or former contracts. Despite the various practical difficulties still being addressed, numerous benefits are expected from the modernisation of the accounting system and related developments. These include the ability to monitor the concentration of Community funds with defined contractors, to detect exposure to risks linked to guarantees, to control prefinancing and monitor payment deadlines better, and to draw up more reliable financial statements. Security of data and access rules were also a major concern throughout the development of the project. One of the main benefits will be the availability from 2005 of accounting data on an integrated system, notably as regards assets and liabilities. Together these actions represent a significant move to address concerns raised by the European Court of Auditors over the years.

On 3 May 2005, the Commission adopted a proposal for the revision of the Financial Regulation. This proposal aims in particular at further clarifying management modes and

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<sup>25</sup> SEC (2004) 986, 12/7/2004, action related to co-financing.

<sup>26</sup> COM (2005) 252, 15/6/2005.

<sup>27</sup> Commission staff working document, 2/8/2005.

balancing the costs and benefits of controls. It stresses the responsibility of authorising officers to put in place adequate internal controls which reflect the risks related to procurement or grants in particular. It also provides for the accounting officer to sign off the final accounts, declaring that they were prepared in accordance with both the provisions on the presentation of the accounts and accounting principles, rules and methods.

A first amendment to the implementing rules of the Financial Regulation was adopted by the Commission in July 2005.<sup>28</sup> It sets out in the main to transpose the new directive on public procurement and to develop a first reply to management issues raised by financial units for low value contracts and grants. It also addresses the conclusions on lump sums reached following the synthesis of 2002 AARs. It thus looks for a better balance between the costs and benefits of controls.

#### *Major initiatives in the internal audit domain*

In 2004, the Internal Audit Service (IAS) concluded a series of in-depth audits, risk assessments and desk reviews in Commission departments in response to a specific action of the Reform White Paper. Beyond the immediate objective of providing those Commission Departments with independent audit assessments and providing the Commission itself with the first comprehensive feedback since the start of reform, these audits also provided the IAS with the necessary basis for developing its own risk-based audit programme, in line with professional standards and practices.

The IAS noted improved implementation of Internal Controls Standards, more reliable financial circuits as a result of implementation of the new Financial Regulation, better planning and performance monitoring tools (ABM) and the introduction of modern accounting and financial reporting based on International Accounting Standards. The IAS also indicated a need to pay greater attention to effectiveness in implementing the Internal Control Standards and the Annual Management Plans (AMPs), a need to introduce Commission-wide risk management, and to improve controls, supervision and monitoring of the application of internal procedures and financial management.

The new Audit Progress Committee chaired by Vice-President Kallas started its work at the end of 2004. Its scope was broadened to examine the work of the internal audit units (Internal Audit Capability - IAC). The Audit Progress Committee will also deal with questions concerning the discharge procedure.

In the Reform Progress Report of January 2004, the Commission asked the IAS to report twice yearly on key findings in IAC audits. Two such reports have been prepared so far, bringing to the attention of the Commission a number of key risk areas in and across Commission Departments.

The working relationship between the IAS and the internal audit units in Commission Departments has developed considerably. The Internal Auditor chairs a network of Commission internal auditors, which facilitates the exchange of information, including audit programming, and strives to harmonise methodologies and reporting formats. Arrangements for quality assessments of the internal audit units and their reporting requirements to the IAS

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<sup>28</sup> Regulation (EC) No 1261/2005, 20/7/2005 (OJ L 201, 2/8/2005).

have been simplified. The IAS and IACs now apply common minimum standards for audit reporting, in particular on the rating of audit observations/recommendations.

### 3. FUTURE POLICY DEVELOPMENTS

Simplification of procedures and working methods is a cross-cutting objective for this Commission. This reflects a common perception within the organisation that the reforms were necessary and that more rigour was needed in areas such as financial management, but that some of the measures introduced could now, in the light of experience, be streamlined to achieve productivity gains that could be used for core tasks such as developing and implementing the policies that serve the European public.

The Commission has made communication one of its strategic objectives. In July 2005 it adopted an “Action Plan to Improve Communicating Europe by the Commission” with a view to concentrate on providing clear, comprehensive and timely communication to the public. The recently launched “*Plan D: Democracy, Dialogue, Debate*”, which lays the foundations of a profound debate on the future of Europe, is an example of the Commission’s commitment to better communication.

A number of areas have been identified for further development of the strategic planning process in the Commission, thus making it more effective in improving transparency, performance and resource allocation, and ensuring the delivery of political priorities.

Regarding human resource management, the goal is to further embed, consolidate and fine-tune the Staff Regulations and other reform measures and to ensure the further development of a service-orientated administrative culture. The aim of simplification is to increase efficiency and staff satisfaction by focusing on and responding more to the needs of clients and also by adopting a more flexible approach where possible. In addition, measures will be taken to increase transparency and to improve communication and dialogue between staff and the administration, ensuring that human resource policies and their rationale are clearly understood.

The Commission aims to deliver results on its political objectives and priorities, while strengthening its assurances as regards sound financial management and the legality and regularity of underlying transactions. This means appropriate management of risks inherent in any political organisation and the build-up of an integrated internal control framework with the Member States, which manage around 80% of the Community budget. The impact of its policies should also be clearly assessed and reporting on its activities and financial data should be transparent and accurate. All this will be made easier by simplified and clearer rules, notably stemming from the Financial Regulation, and a better balance between the costs and benefits of control.

#### ***Creating a culture based on service and efficiency***

##### *Transparency and responding to the public*

In line with the commitment undertaken in its Communication on its strategic objectives for 2005-2009 and as a logical complement to *Plan D: Democracy, Dialogue and Debate*, the Commission decided in November 2005 to launch a European Transparency Initiative. The basic aim of this proposal is to increase the public’s trust and confidence in European institutions by making them more accountable and susceptible to public scrutiny. It foresees the publication of a Green paper by the beginning of 2006 to launch a public debate on how to improve transparency of the use of Community funds, consultation with civil society and the role of lobbies in the decision making process. The Commission will continue to take action

to improve its own transparency vis-à-vis European citizens including measures to facilitate access to information through modern information and communication tools. In this framework, the Regulation on public access to documents will also be reviewed.

#### *Governance and better regulation*

The Commission's work on better regulation and legislative simplification will continue and intensify. In the area of impact assessment, work on monitoring and developing the approach will continue, taking into account the views of users and other stakeholders. An external and comprehensive evaluation of the Commission's impact assessment system will be launched in early 2006. This will help to identify the strengths and weaknesses of the overall approach. A network of external experts is also being established to provide input on impact assessment methodology.

The Commission continues to urge the Council and the European Parliament (under the existing Inter-Institutional Agreement on Better Lawmaking) and the Member States to make substantial and swift progress towards a simpler and better regulatory environment. Its new approach to legislative simplification sets out a rolling programme for the next 3 years. It involves a focused assessment of EU legislation in a number of sectors. In this context, the Commission will complete its response to the 15 Council priorities for simplification, as endorsed by the Competitiveness Council in November 2004.

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

Work is already underway to simplify financial management and administrative procedures by focusing on issues from a user's perspective. Other areas where simplification could be pursued include audit and control. Central and support services will be expected to make simplification an integral part of their normal activities ("mainstreaming"), and focus more on the impacts and the administrative burden of new or changed procedures and working methods on Commission departments by analogy with how the Commission is pursuing its Better Regulation agenda. Appropriate impact assessment methods for internal procedures could be developed to this end. Staff opinion surveys and electronic consultations on the Intranet will be important sources of information upon which corrective measures could be based.

The Commission recently adopted a Communication<sup>29</sup> on how *e-Commission* will contribute to modernising the Commission's working methods and improving the services provided to staff, national administrations, partners, business and citizens, thereby renewing its commitment to the e-Commission and its intention to use technology to facilitate efficiency and transparency. This forms part of the Commission's own contribution to *e-Government* within the broader objectives of creating a knowledge-based society which stimulates growth and jobs. Future *e-Commission* activities will seek, *inter alia*, to develop the level of policy and administrative services available electronically to users inside and outside the Commission, to implement interoperable information systems that improve effectiveness and reduce duplication, and to raise the level of IT security.

#### *Externalisation and the Commission's Administrative Offices*

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<sup>29</sup> "e-Commission 2006-2010: enabling efficiency and transparency", C (2005)4473.

In its first communication on the financial perspectives for 2007-2013, the Commission underlined the need to focus its activities on the development and monitoring of policies under the Treaty. It identified “principles for administrative governance” (less direct management, better control of delivery and greater cost-effectiveness) as well as areas where outsourcing of programme management to an executive agency could be envisaged. Some Commission Departments are currently considering outsourcing to such executive agencies. However, as no executive agency is yet fully operational, it remains to be seen whether this option is the most cost-effective. The Commission will make an initial appraisal of the situation in its 2005 Synthesis Report. After three years of operation, the executive agencies will be assessed through an external evaluation. Options for externalisation will only be considered where cost-effectiveness can clearly be established and where governance and control issues can be satisfactorily addressed.

In addition, the results of an evaluation of the functioning of the Offices, which was launched in October 2005, will be used to take measures to improve their operations, delineate competencies where appropriate and to consider options for developing further their interinstitutional dimension.

### ***Strategic planning and programming***

The main points concerning the SPP cycle can be summarised as follows:

#### *Develop the multi-annual perspective of strategic planning*

The multi-annual dimension of the strategic planning cycle should be emphasised. The APS will be placed in a multi-annual perspective. In preparation for the APS, past achievements will be assessed against the multi-annual objectives. The APS orientation debate of the Members of the Commission - the cornerstone of the political leadership of the cycle – will be further enhanced by increasing coordination between Commission Departments and input from them ahead of the debate and by focusing the debate on the main policy options.

#### *Drive the culture of objective-setting*

The Commission will step up its efforts to improve the quality, relevance and definition of objectives and indicators, and to develop multi-annual target-setting. The need to deliver on priority objectives and to report on performance will be further embedded in the administrative culture. Specific attention will be given to the difficulties encountered by Commission Departments in developing indicators that are meaningful for the general public and to increasing their ownership by the top management and the Commission itself.

#### *Further improve the resource allocation process*

The information basis and the decision-making process for resource allocation have been substantially improved in the last years and are being linked to the budgetary cycle. Nevertheless, the recent orientation for the revision of the objective criteria and indicators for assessing resource needs, workload and performance will further improve this process. Moreover some earmarked posts may be allocated temporarily to departments in order to better reflect the Commission’s priorities before being redeployed to other priority areas upon the attainment of the envisaged objectives. Therefore, performance information should become an important element in the preparation of the preliminary draft budget and the subsequent budget procedure.

### *Enhance reporting and communication of policy results*

Communication to citizens and other stakeholders on the benefits of EU action is a key priority of the Commission, which intends to make more systematic use of quantitative and qualitative performance information to enhance its capacity to communicate effectively. This includes the definition of relevant and understandable objectives and indicators. In the context of the SPP cycle, Commission Departments will be required to define the main objectives for each policy area in clear political language, explaining major political challenges and achievements in a way that is meaningful to the public.

To strike a better balance between reporting policy results and on internal control and management issues, reporting on the progress made in achieving strategic policy objectives will be addressed to the European Parliament, the Council and other stakeholders each year. The existing Synthesis Report will continue to focus on management and control matters.

### ***Personnel policy***

The personnel of the Commission are undoubtedly its main asset and provide it with the capacity to develop and implement policy measures. The success of the Commission in achieving its strategic objectives is therefore intrinsically linked to the quality and innovation of Human Resources Management (HRM). Although HRM in the Commission has significantly developed over the years, staff in general and even staff involved in HRM at local level still perceive it as a control and compliance function.

In the medium term, the Commission will strive to develop HRM as part of its strategy to ensure that human resources are managed in such a way as to allow the Commission to deliver on its agenda and to meet its objectives. In this context, the extended use of IT tools, e.g. the introduction of the *e-CV*, a database with the professional profiles of the Commission's staff, should play an important role.

The Commission will work to further increase the specialised expertise of HRM practitioners so as to professionalise HRM functions and processes both in the departments and in the institution as a whole. The key elements include increasing service orientation, pursuing simplification as an ongoing activity, developing a performance-driven culture and recognising individual performance. Work on the formulation of a specific Action Plan to professionalise HRM in the medium term has progressed well.

The subsequent objective is to establish HRM as a Strategic Partner for the purposes of strategic alignment of human resources. HRM will be further developed to include strategic HRM processes such as Competency Management, Organisational Development, Succession Management, Strategic Resources Planning, etc.

The action plan presented in July 2004, with the aim of recruiting experts and developing specialised training of staff already in place, will be continued. The Commission will also contribute to the work programme of the interinstitutional European Personnel Selection Office in an effort to ensure that competitions continue to provide adequate numbers of successful candidates to fill vacant posts.

The Commission will also aim to achieve a balance between decentralising HRM functions and ensuring consistent application of Staff Regulations and HRM policies. To this end, DG ADMIN will have to play an active role in promoting, supporting and facilitating common

HRM practices while at the same time allowing a greater degree of flexibility at local level where this kind of flexibility could enhance performance.

Progress has been made regarding the development of a policy on wellbeing at the workplace which should be finalised in the near future. In the field of equal opportunities, realistic targets will be set and measures taken to ensure better gender balance. Work will continue on the development of viable solutions for flexitime and telework schemes aimed at increasing the reconciliation of private and professional lives. In addition, the Commission is currently reflecting on ways to further improve and simplify, where appropriate, its present staff performance, appraisal and promotion system.

### ***Audit, financial management and control***

#### *Major initiatives in internal control*

The first multi-annual objective of the 2004 Synthesis was to achieve effective functioning of internal control systems and ownership of the corresponding concepts and processes in all Commission Departments, notably through regular internal control reviews by the internal control coordinators (ICC). Guidance in that respect will be further developed by central services and discussed in the ICC network.

As regards risk management, the goals for 2005-2006 are to strengthen the structures and processes at individual DG level. Risk management will be introduced as part of the AMP 2006 process and, from 2006 onwards, central guidance and tools will progressively be developed for the different types of activities, projects and processes the Commission deals with. A methodology to deal with risk at “family” level and involvement of the main external partners are scheduled for 2007.

With the roadmap to an integrated internal control framework, the Commission intends to initiate a process of improvement of the current internal control framework in order to make it possible for the Commission to provide the Court of Auditors with reasonable assurance as regards the legality and regularity of the underlying transactions. While discussing with the Member States, Parliament and the Court of Auditors, the Commission pursues internal consultations designed to come up with an action plan in early 2006 that will lay the foundations for such an integrated framework. Those actions will then have to be implemented in the months and years to come.

The importance of ex-post controls was also reaffirmed in the 2004 Synthesis. The aim is to improve efficiency and strengthen accountability by further harmonising and focusing ex-post controls through strategies defined at family level. Generally speaking, the reflections surrounding gap assessment and the roadmap towards an integrated internal control framework should strive towards offering departments control strategies covering the cost-benefit of both ex-ante and ex-post controls.

The Commission is currently preparing a new Communication on evaluation, the main purpose of which is to promote the generation of evaluation evidence that can be used for budgetary and strategic decision-making. It also aims to consolidate, clarify and simplify existing evaluation practices and requirements with a view to maximising the added value of evaluation in the light of the Commission's priority information needs.

#### *Major initiatives in financial management and accounting*



The amended Financial Regulation now being discussed with the other institutions and the corresponding implementing rules are due to enter into force by 1 January 2007, together with the new generation of basic acts for the 2007-2013 programming period.

A proposal for a separate round of simplification of the implementing rules was adopted by the Commission in October 2005. It aims at further simplifying financial procedures for the Commission Departments, as well as economic operators and beneficiaries of grants, especially as regards low value contracts and agreements and external actions.

While the essential adaptations to enable the move to the new accounting environment were completed by the end of 2004, the closure of the first accrual accounting year is well on track. Fine-tuning work remains to be done both to build on these changes and to extend the benefits of the system beyond the Commission's own accounts. Work is underway in 2005, for example, to incorporate the financial activities (loan and borrowing), the European Development Fund and the administrative appropriations managed by delegations within the accounting system and discussions have been started with a view to the possibility of opening the Commission's system to Agencies and to other Institutions. Meanwhile, use of the Commission's contracts database has been made obligatory for contracts signed in 2005, opening accrual accounting balances are being validated by the DGs. In parallel, measures are being taken to improve the operational performance and security of IT systems.

#### *Major initiatives in internal audit*

The Commission's internal audit community intends to intensify its efforts to make more of possible synergies between the different stakeholders; to improve the coordination of work programmes; to pursue further methodology development and harmonisation across the internal audit functions; and to broaden the use of the IT-based Audit Management System.

The recently launched quality assessment cycle of the internal audit units of Commission Departments, being carried out by the IAS, will be finalised in 2006. This comprehensive quality exercise, which is in line with professional standards, will aim to guarantee the availability of quality internal audit services for Commission Departments and to establish an objective basis which will allow auditors to rely on the results of other internal audits.

The Audit Progress Committee is expanding its role and consolidating its ability to effectively monitor the follow-up of audit recommendations.

As regards the scope and nature of its audit activity, the IAS will continue to cover areas beyond financial management and accounting. This includes planning and policy-making, policy implementation and monitoring activities, and responds to professional practice in terms of evaluation and better risk management, control, and governance processes.<sup>30</sup> It will also pay particular attention to simplification and proportionality, developing better instead of more controls and moving from formal compliance with internal control standards to their effective implementation.

#### *Major initiatives with regard to OLAF*

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<sup>30</sup> Institute of Internal Auditors (IIA) performance standard 2100, [http://www.theiia.org/?doc\\_id=1499](http://www.theiia.org/?doc_id=1499).

In February 2004 the Commission adopted a first series of proposals amending Regulations 1073/1999 and 1074/1999<sup>31</sup>. Following a special report (N° 1/2005) by the Court of Auditors<sup>32</sup> concerning the management of OLAF and a public hearing on the reinforcement of OLAF in July 2005 at the European Parliament (Committee on Budgetary Control) the Commission is now planning to present a new legislative proposal, building on the previous advances made and looking at governance and control in particular.

Over the past years OLAF has substantially reinforced its service activities, including for Commission Services by fraud proofing legislative proposals at an early stage.

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<sup>31</sup> (COM (2004) 103 and 104)

<sup>32</sup> OJ C 202, 18. 8.2005, p. 1.

#### 4. CONCLUSIONS

The internal reforms undertaken by the Commission in 2000 amounted to a major modernisation exercise involving an overhaul of its working methods, procedures and regulations. This achievement was made possible through the combined efforts of both internal -staff and management- and external -the other institutions- stakeholders. The Barroso Commission considers that the key principles underlying reform measures remain sound. Now that the Reform *per se* has been concluded, the Commission is determined to build upon its achievements and ensure that its resources, both financial and human, are used ***efficiently and effectively*** in an ***open and transparent manner*** so as to ***facilitate control*** and ***build up the trust*** of Europe's citizens. It is committed to delivering its ***strategic objectives*** in the areas of prosperity, solidarity, social justice and security, and putting a strong European voice on the international scene by focusing its attention on the formulation and effective delivery of its policies.

To facilitate the achievement of these objectives during its mandate, the Commission intends:

- to pursue further ***consolidation, streamlining and simplification*** of internal procedures and working methods in the interests of effectiveness and efficiency and to strike a better balance between the level of risk and the cost of control;
- to ensure that this process becomes internalised as part of a normal process of ***continual learning*** and ***organisational improvement***;
- to improve ***transparency, accountability and communication*** with the European public, other EU institutions and other partners; and
- to enhance ownership - both at political and at staff level - of the Commission's new ***management culture***, which is based on responsibility, accountability, empowerment, better communication and dialogue.