

ECIIA Annual Conference 2006

–Auditing the EU Budget: The Various Actors Involved –

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Helsinki, 7 September 2006

Presentation Overview

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Management & Control System

Control & Audit Actors

Résumé & Outlook

1 – Introduction: The European Union, Milestones, Actors, Budget

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The European Union

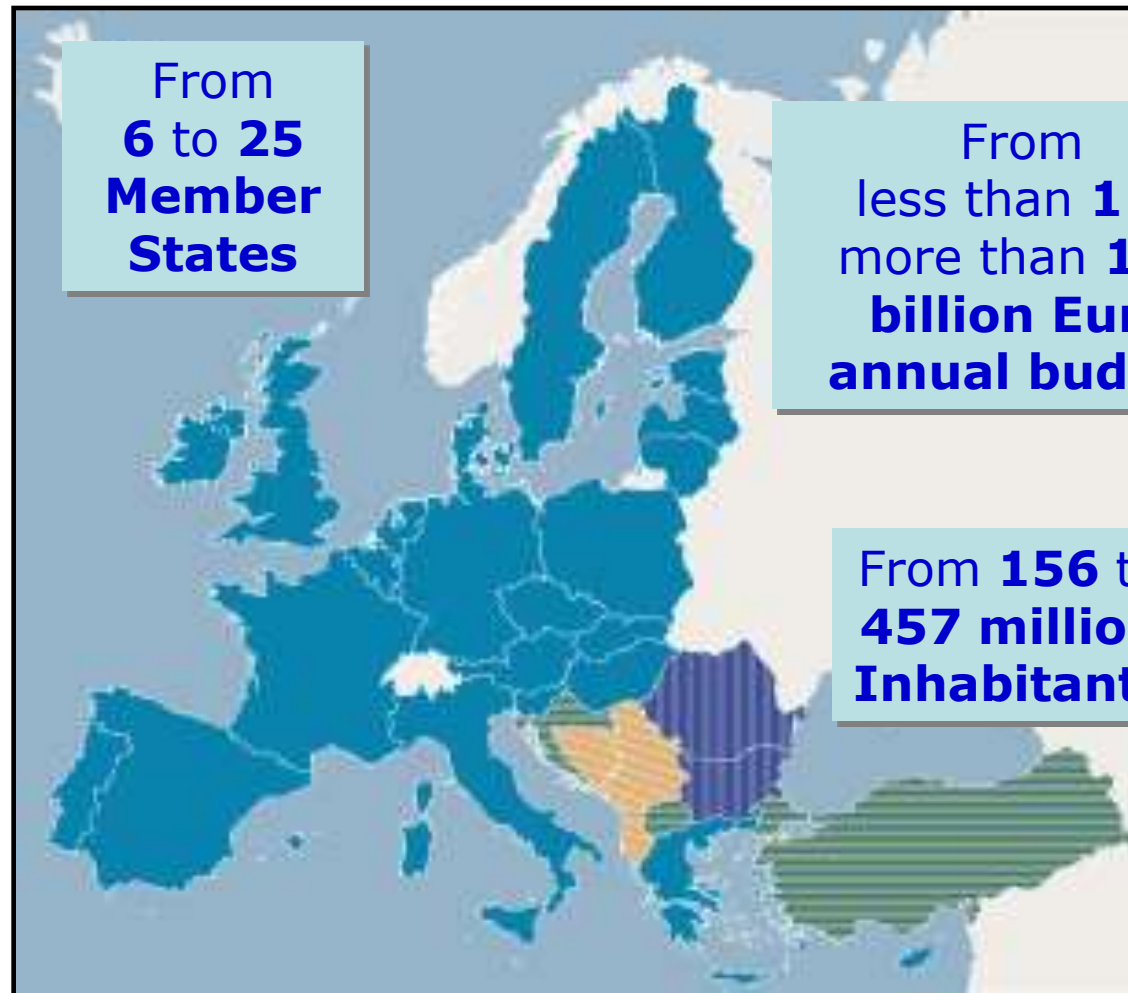
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The EU Budget 2006

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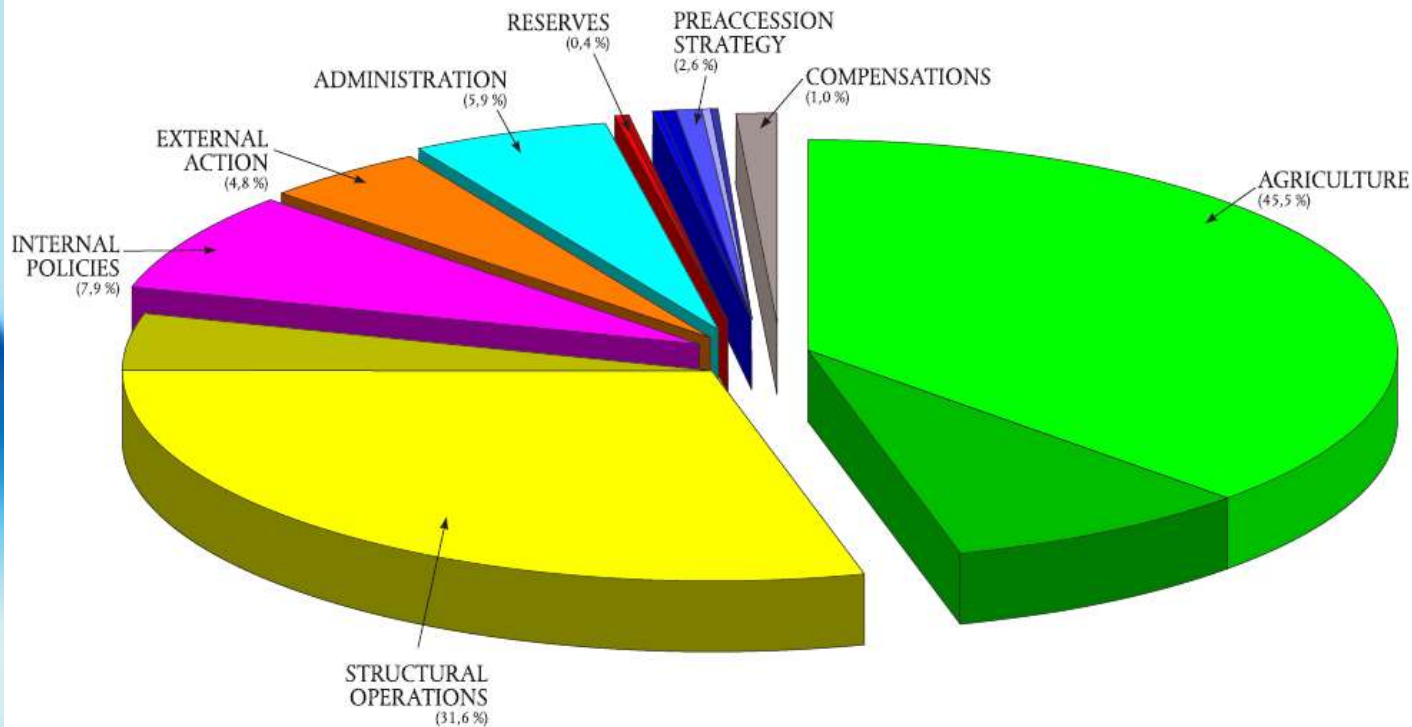
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The European Commission has **overall budget implementation responsibility** (EC Treaty, Art 274).



The EU Budget – Main Actors

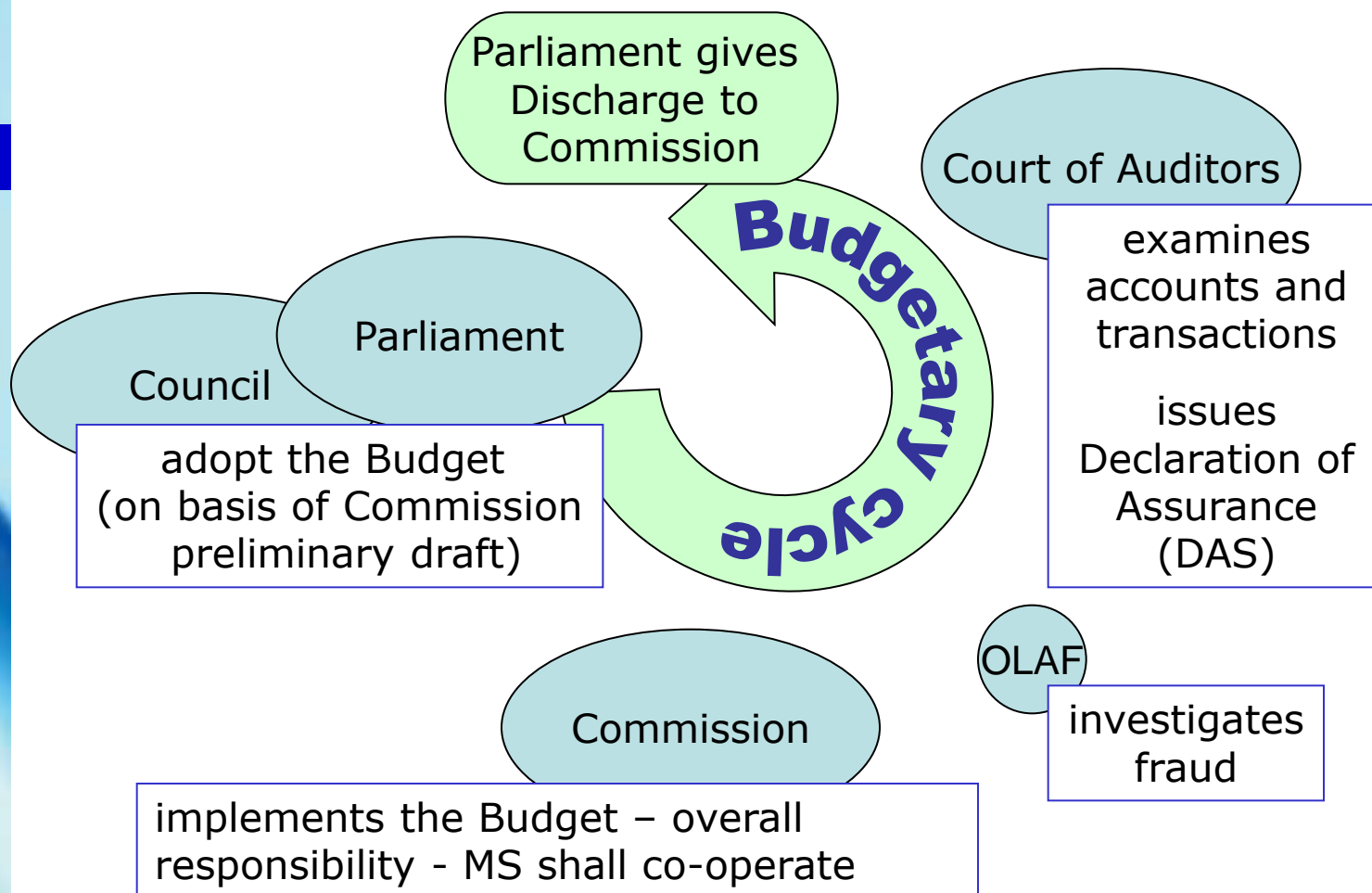
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The European Commission

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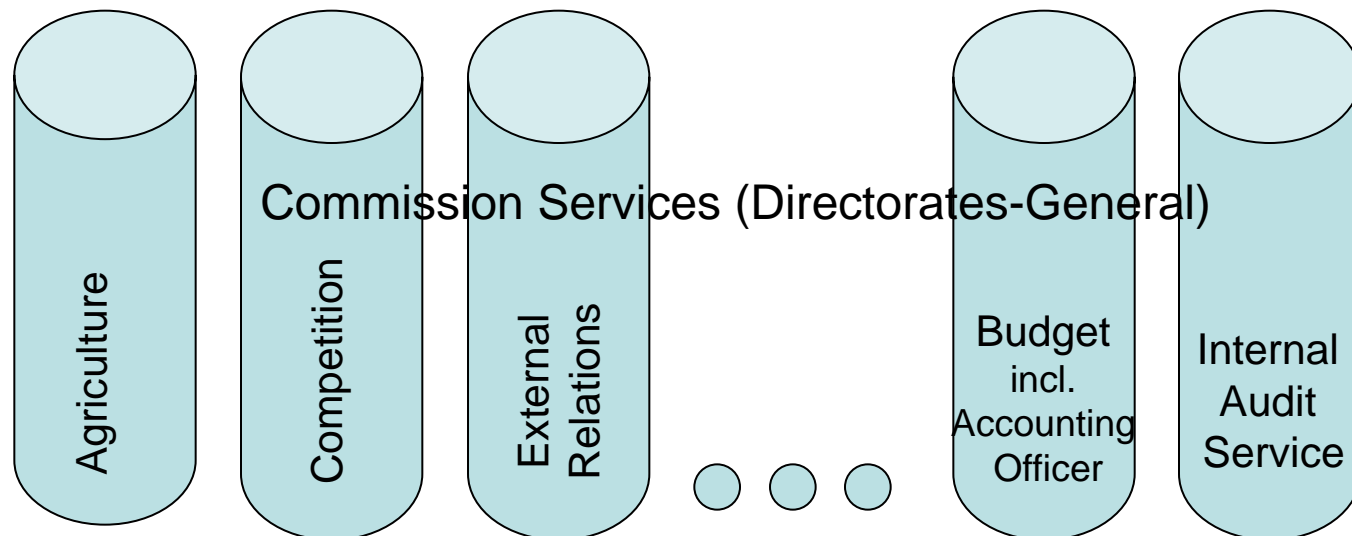
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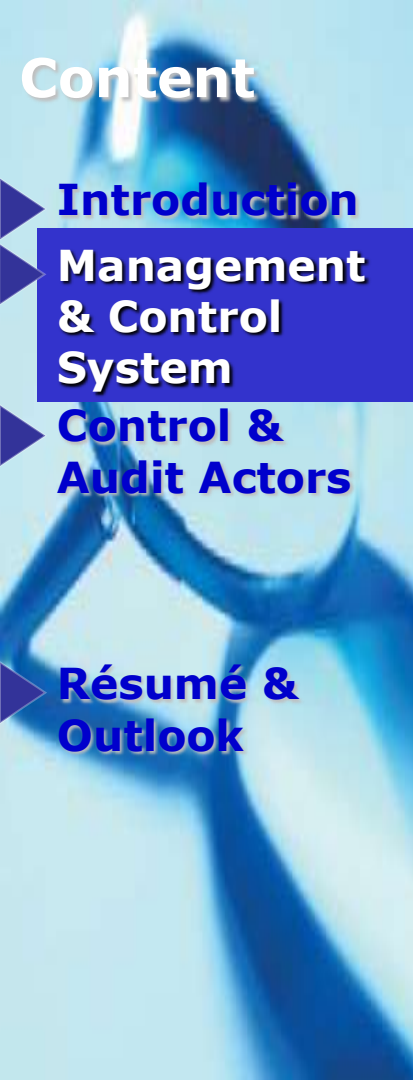
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College of 25 Commissioners



+/- 25 000 Staff – Annual EU Budget EUR 110 Billion
Administrative Budget +/- EUR 3 Billion

Overview EU Management & Control Structure I



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Centralised Management by the Commission (or with national partners) - mainly Administration and “Internal Policies” of trans-national character, +/- 14% of the budget.

Shared Management with Member States responsible for operational and financial management - mainly Agriculture and Structural Policies, +/- 80% of the budget.

De-centralised Management, third countries are responsible for operational and financial management with Commission involvement - mainly “External Policies”, some 4,5% of the budget.

Joint Management, EU funds pooled and managed by international organisations - external Policies, some 1,5%.

Overview EU Management & Control Structure II

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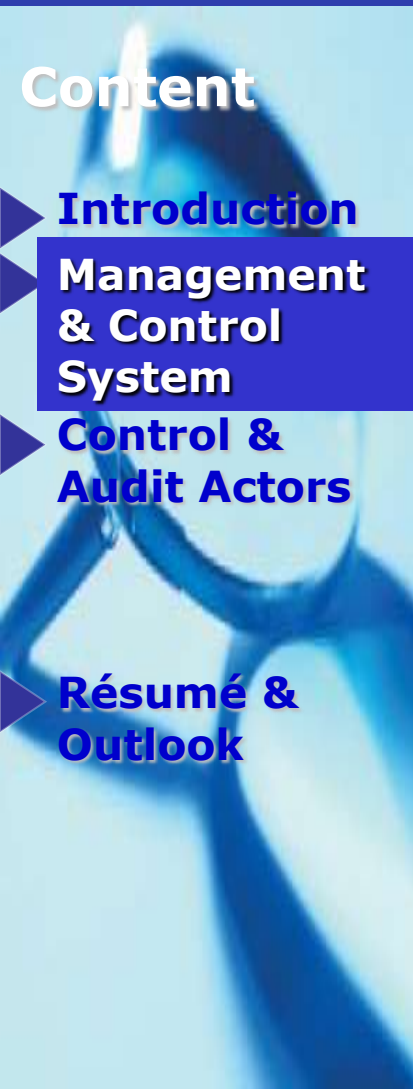
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Complex management and control system for EU funds: varying degree of involvement of external actors and different accountability arrangements – **Delegation Risk.**

Public concern but also growing **understanding** among actors and stakeholders about **limitations to assurance.**

Recognition of **inherent risk** in public sector activity.

accountability / assurance issue:
debate on necessary (re-) design of management and control systems and degree of assurance possible.



Overview EU Management & Control Structure III

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Example Agriculture and Structural Funds – Shared Management

Irregularities and Fraud -

reported by Member States

Field	Number of irregularities reported	Total financial impact (in € million)
EAGGF Guarantee	3 193	102
Structural Funds and Cohesion Fund	3 570	601

Compared to total payments (in million EUR):
48.466
32.763

Source: Commission report on the Fight against Fraud for 2005, COM(2006)378 and Provisional Annual Accounts 2005, <http://ec.europa.eu/budget/>

Recovery and Corrections -

Example Agriculture Guarantee Fund: Member States recover over 50%

Example Structural Funds: Commission 2004/5 corrections of some EUR 1.4 billion on 2000-2006 programmes

Management and Control – Reform Developments

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Professionalisation – Responsibilisation Accountability

- Comprehensive **Administrative Reform** programme since 2000
- **Accounting** / accounting system reform programme since 2003
- Common **Risk management** methodology adopted in 2005

Action Plan « Roadmap towards an **Integrated Internal Control Framework** » 2006 – with Member States to manage risk of error in underlying transactions:

- agree on tolerable level of risk,
- apply single audit elements (control/audit reliance),
- obtain reasonable assurance

Management and Control - Commission Reform

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Director General

Full Responsibility:

- Internal Control System (24 Internal Control Standards, including ex-ante and ex-post controls)

Accountability:

- Annual Activity Report + Annual Assurance Declaration
- Provide reasonable assurance on four control objectives (effectiveness, efficiency of operations – compliance with laws and regulations – safeguarding of assets – reliability of financial reporting)

Accrual Accounting

Increased authority / responsibility of Accounting Officer

Internal Audit

- DG-level Internal Audit Capabilities (IACs)
- Commission-level Internal Audit Service (IAS)
- Audit Progress Committee (APC)

Control and Audit Actors - Overview

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Control actors Commission:

- DG operational management
- DG control units (incl. contracted audit services)
- Central control oversight and support functions (Accounting Officer, Central Financial Service)

Control actors Member States (shared management):

- Operational level management and control bodies
- Central level management and control functions

Internal Audit

- DG-level Internal Audit Capabilities (IACs)
- Commission-level Internal Audit Service (IAS)
- Audit Progress Committee (APC)

External Audit

- European Court of Auditors

Control and Audit Architecture - Operational Control

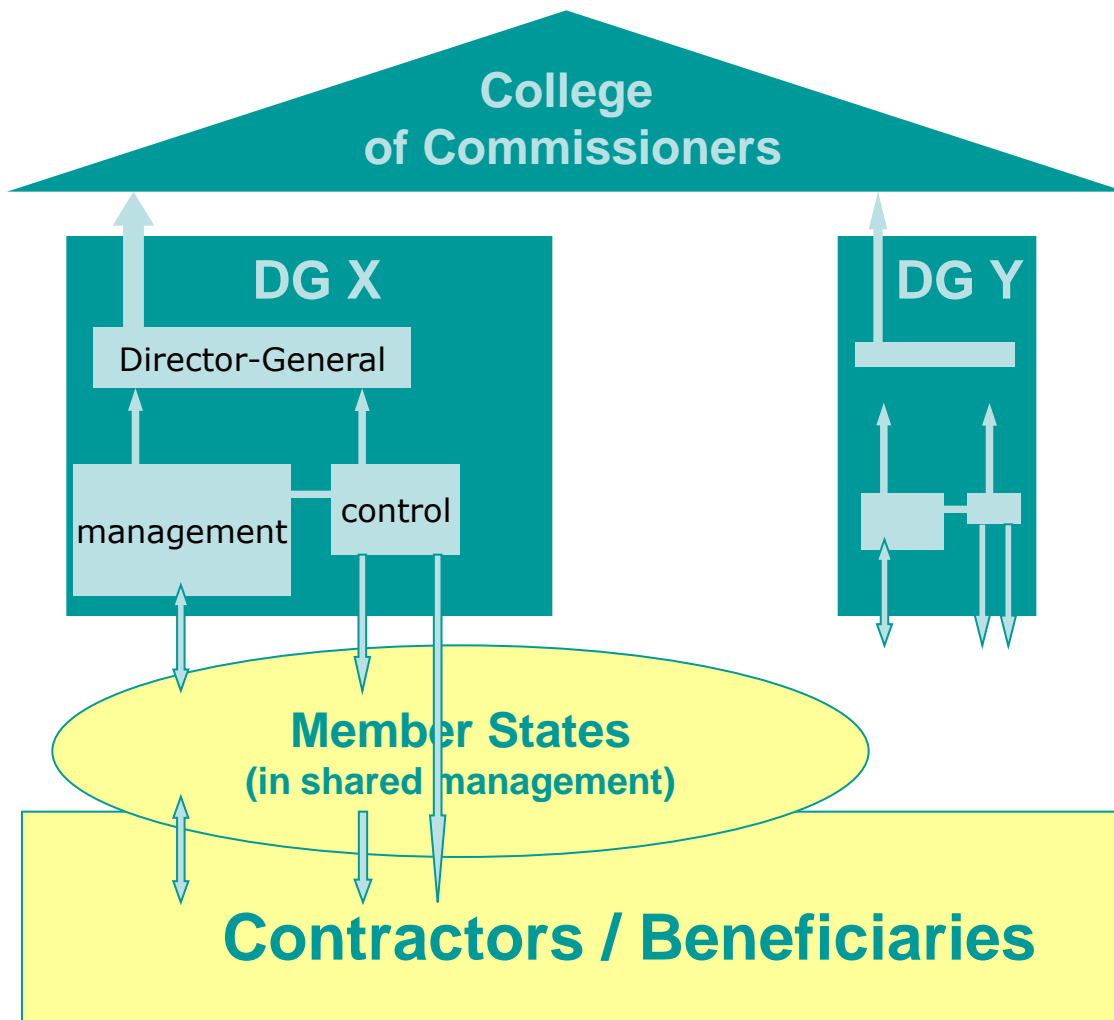
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Control and Audit Architecture - Operational Control

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Example:

Structural Funds
Programming
Period 2007-2013



Control and Audit Architecture - Internal Audit

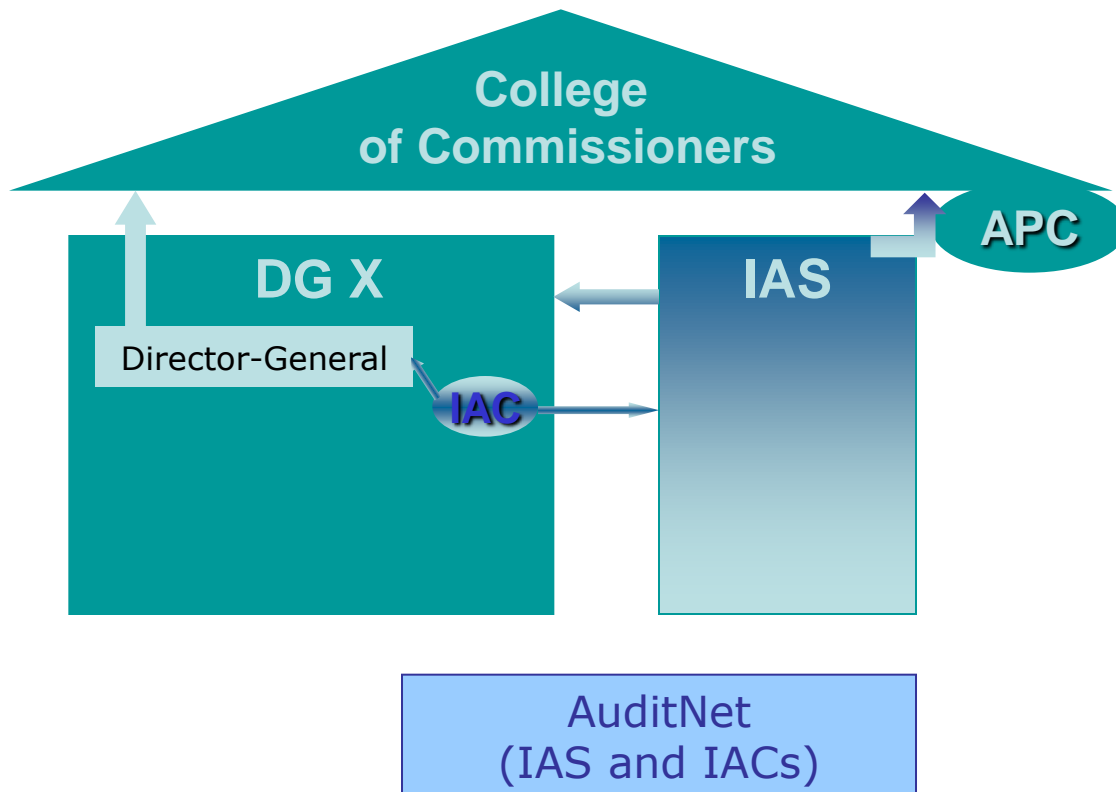
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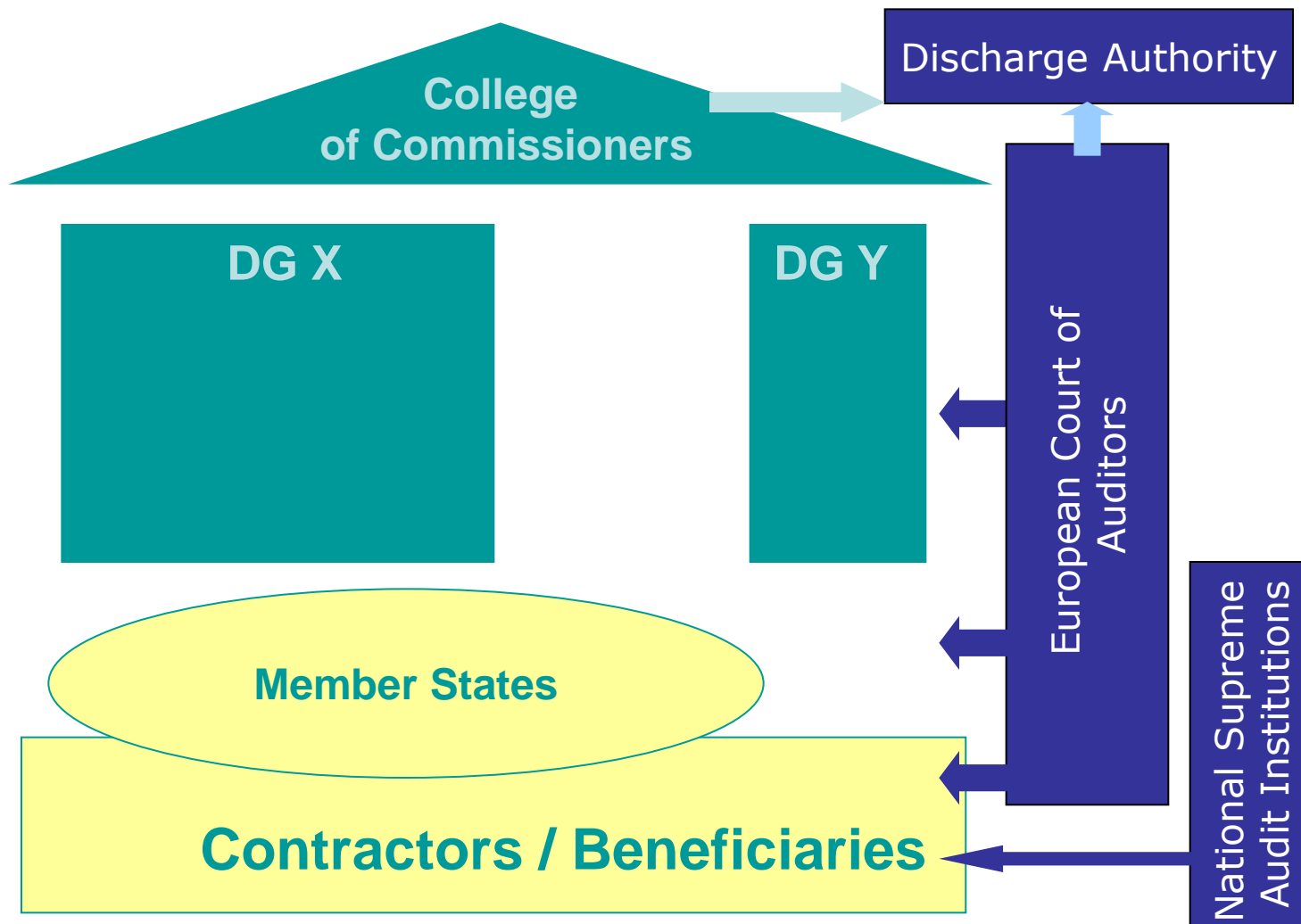
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Control and Audit Architecture - External Audit

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Résumé

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European Commission: From sole policy and law making to extensive programme management responsibilities.

From « It is becoming difficult to find anyone who has even the slightest sense of responsibility » to a clear accountability framework.

Complex architecture for budget implementation.

Better integrated management and control framework for new shared management programming generation 2007 – 2013.

Outlook - Challenges for the Future

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Transparency.

Simplification.

Align cost and benefits of controls.

Strategic perspective:
Positive declaration of assurance from European Court of auditors.