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COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 30 May 2007

**Governance Statement of the European Commission**

## Governance statement of the European Commission

The mission of the European Commission is to promote the general interest of the European Union. It does so by participating in the decision-making process, in particular by presenting proposals for European law, by overseeing the correct implementation of the Treaties and European law, and by carrying out common policies and managing funds.

This governance statement covers the internal functioning of the Commission: [the actors](#), [strategic planning](#), the [responsibility and accountability mechanisms](#), the [openness and transparency framework](#), the mechanism to provide for a [quality regulatory framework](#) in the EU, and finally the measures to promote [ethics](#) within the Commission.

### 1. THE ACTORS: DIVERSIFIED FUNCTIONS FOR CLEAR RESPONSIBILITIES

The European Commission has a unique governance structure. Its origins lie in the Treaties, but the structure has evolved to match the Commission's changing role and to reflect progress made in European governance. The College of Commissioners represents the apex of this architecture, defining policy and taking decisions: it carries political responsibility for the actions undertaken by the Commission. The operational implementation is delegated to Directors-General and Heads of Services, who lead the administrative structure of the Commission. The different responsibilities are presented below.

#### 1.1. The College of Commissioners

The [Treaty](#) establishing the European Community (articles 211-219) sets out in detail what is required of Commissioners – as a College, and as individuals – under law.

The Commission works under the political guidance of its President, who decides on its internal organisation to ensure that it acts consistently, efficiently and on the basis of collegiality. This principle of collegiality, which governs all the Commission's work, means that all Commission members are jointly responsible for decisions and actions taken.

As for Commissioners as individuals, the EC Treaty states that the Members of the Commission shall be chosen on the grounds of **their general competence**. They are completely independent in the performance of their duties. This means that they neither seek nor take instructions from any government or from any other body. If any Commissioner no longer fulfils the conditions required for the performance of his/her duties or if (s)he has been guilty of serious misconduct, the Court of Justice may compulsorily retire him/ her. A Member of the Commission shall resign if the President so requests, after obtaining the approval of the College.

The Commission also carries out an important range of financial and managerial tasks. In line with existing financial rules, the internal arrangements set up by the College add up to a structure of robust controls and management tools which allow the College to take its political responsibilities.

## 1.2. The Directors-General and Heads of Service

The rules of procedure of the Commission and the [Code of conduct of the Commissioners](#), adopted by the Commission at the beginning of its term, frame the **relations between the Members of the Commission and their services**. They are based on the principles of loyalty, trust and transparency. The Members of the Commission receive information from their own services as well as from central services, to be able to exert their political responsibility and their role of supervision. They have to take care of the implementation of the political priorities they laid down in compliance with the work programme of the Commission. To this end, the College and its members have the possibility of giving instructions to the respective services.

Work methods are established between each Commissioner and the Directors-General falling under their authority. These rules provide in particular for the obligation for the services to point out to the Member of the Commission any information likely to call into question his/her responsibility or that of the College.

The operational implementation of the budget is formally delegated to the different Directors-General or Heads of Service. This delegation is decided annually. As Delegated Authorising Officers, they are **responsible for the sound and efficient management of resources and for setting up adequate and efficient control systems** to ensure the legality and regularity of expenditure in their department. Delegated Authorising Officers may formally sub-delegate responsibility to appropriate staff to authorise expenditure and revenue on their behalf.

The competent Commissioner for each policy area supervises the implementation of the budget by the Director-General or Head of Service.

To ensure that responsibility for budget implementation is not in the hands of one person alone, other staff assist with the execution of the budget: at least two persons must be involved in the authorisation of budgetary transactions (one to initiate the transaction and the second to verify and authorise).

In executing the budget, Delegated Authorising Officers must respect the provisions of the Financial Regulation and its Implementing Rules and should establish appropriate internal control systems in line with the Commission's [Internal Control Standards](#). These Standards constitute the basic internal control framework to be applied across the whole Commission to ensure that the objectives set are achieved.

Taking the cost benefits of implementing internal control systems into account, the control system is intended to **provide reasonable**, not absolute, **assurance** that operational activities are effective and efficient, that transactions are legal and regular, that financial and management reporting is reliable, that assets and information are safeguarded, and, finally, that objectives are achieved. Internal control systems are reviewed regularly to ensure effective control at a reasonable cost.

Each Delegated Authorising Officer is supported by a **Resource Director** and/or an **Internal Control Coordinator** to oversee and monitor the implementation of internal control systems within the Commission department.

The Commission may also delegate the implementation of specific programmes to [executive agencies](#). The governance architecture of executive agencies is defined in the 2002 Regulation laying down the statute of such agencies<sup>1</sup> and is further defined in the act of delegation itself. Each agency is managed by a Director and by a Steering Committee composed of five members appointed by the Commission, which adopts the agency's annual work programme comprising detailed objectives and performance indicators, as well as the agency administrative budget. The Commission's arrangements for planning, reporting, internal control systems, internal audit and accounts are fully applicable to the executive agencies.

### **1.3. The Accounting officer**

The [Commission's Accounting Officer](#) executes payment and recovery orders drawn up by authorising officers and is responsible for managing the treasury; laying down accounting rules and methods, validating accounting systems, keeping the accounts and drawing up the institution's financial statements, as well as for consolidating these accounts with those of the other institutions.

The Accounting Officer also signs off the accounts, certifying that (s)he has made the checks that (s)he considers necessary and is satisfied that they have been prepared in accordance with the accounting rules, methods and accounting systems established under his/her responsibility, that (s)he has made any adjustments which are necessary for a true and fair presentation of the accounts in accordance with the financial rules, and that they are therefore reliable.

### **1.4. The Central Financial Service**

The Central Financial Service of the Commission is the lead service as regards the [Financial Regulation](#) and the internal control framework. It also provides support and advice to the other Commission departments on matters related to financial management, including interpretation of legislation and internal control and risk management. The Service develops standards and guidelines, and facilitates exchange of good practices in the field to help authorising officers to assume their financial management responsibilities.

### **1.5. The Internal Audit architecture**

- The [Internal Audit Service \(IAS\)](#) is a service of the Commission headed by the Internal Auditor of the Commission. Its mission is to issue independent audit opinions on the quality of management and internal control systems of the Commission and to present recommendations aimed at ensuring the efficient and effective achievement of the Commission's objectives.
- **Internal Audit Capabilities (IAC)** exist in all Commission departments. Their role is to assist the Director-General and management within their Directorates-General in controlling risks and monitoring compliance with, in particular, internal control standards. They provide an independent and objective opinion on

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<sup>1</sup> Council Regulation (EC) N°58/2003 of 19 December 2002 laying down the statute for executive agencies to be entrusted with certain tasks in the management of Community programmes (OJ L 11, 16.1.2003).

the quality of management and internal control systems, therewith contributing to the reasonable assurance expressed in the Declaration of Assurance, and make recommendations in order to improve the efficiency and effectiveness of operations and to ensure economy in the use of the Directorates-Generals' resources.

- The **Audit Progress Committee (APC)** is composed of up to seven Commissioners and two external experts in audit and ensures the independence of the IAS. Under its Charter, the Audit Progress Committee reports annually to the College on the quality of internal audit work and on the follow up given by Commission departments to recommendations from a variety of sources: the Internal Auditor, the Internal Audit Capabilities, the European Court of Auditors, and audit-related matters in the discharge resolutions adopted by the European Parliament. Beyond these formal reporting obligations, the APC's role is preventive, drawing attention to situations which, if left unattended by the Commission departments, could seriously affect the reputation of the Commission. In this sense, the Committee strives to increase the effectiveness of follow-up given by Commission departments to relevant audit recommendations, whatever their source.

## **1.6. The European Anti-fraud Office (OLAF)**

The mission of the [European Anti-fraud Office](#) is to protect the financial interests of the European Union, to fight fraud, corruption and any other irregular activity, including misconduct within the European Institutions. It does so by conducting, in full independence, internal and external investigations, in cooperation with the competent authorities of the Member States. OLAF also works with the European Commission departments to make sure that any new legislation with significant financial implications is “fraud-proof”. OLAF operates under the general framework established for the [protection of the European Communities financial interests](#), as laid down by Council Regulation n°2988/95 of 18 December 1995.

## **1.7. The Commission's Investigation and Disciplinary Office (IDOC)**

The Commission's Investigation and Disciplinary Office conducts impartial administrative inquiries and prepares disciplinary proceedings. IDOC deals with all matters not already being investigated by the European Anti-Fraud Office.

## **2. [STRATEGIC PLANNING AND PROGRAMMING](#): A STRATEGY TOWARDS CLEAR OBJECTIVES**

### **2.1. At corporate level**

At the beginning of its mandate, the Commission sets its [strategic objectives](#) for the coming five years. Those objectives feed into more detailed year-on-year priorities in the [Annual Policy Strategy](#).

The political priorities set through the Annual Policy Strategy are translated into operational objectives through the [Commission Legislative and Work Programme](#). The implementation of the Work Programme is closely monitored by central services

of the Commission in order to ensure that priority items are delivered in a timely and coherent way across the Commission.

## **2.2. At the level of the Commission's departments**

Activity Based Management (ABM) is an integrated management methodology which allows prioritisation, planning, budgeting, management and reporting under a set of coherent areas of actions, called activities. ABM aims at ensuring that human and financial resources match policy ambitions. On the budgetary side, the Activity Based Budgeting (ABB) nomenclature forms the structure of the Community budget and aims at making the global cost of each policy transparent.

The Commission has developed a set of about 230 distinct activities, which have been grouped into approximately 30 coherent policy areas. For each activity, **specific objectives** are set, which are reflected in the [Annual Management Plans](#), established by the Commission department implementing this activity. The responsible department monitors the implementation of its management plan through indicators accompanying each objective and reports on the achievement of key policy objectives through an [Annual Activity Report](#).

## **2.3. The ABM Steering Group**

The ABM Steering Group is chaired by the Secretary General and brings together Directors General and cabinets responsible for central services. It coordinates strategic questions related to horizontal instruments such as strategic planning and programming and internal control and regularly reviews the adequacy of the Commission's corporate processes.

## **3. RESPONSIBILITY AND ACCOUNTABILITY: TAKING CHARGE OF BUDGET IMPLEMENTATION IN A COMPLEX ENVIRONMENT**

The overall responsibility for the implementation of the budget lies with the European Commission. However, the Member States have to cooperate with the Commission to ensure that the appropriations are used in accordance with the principles of sound financial management.

### **3.1. How the Commission's responsibility is expressed**

Each year, Directors-General and Heads of Service provide a management report (called the [Annual Activity Report](#)) which includes the signature of a declaration of assurance on the exercise of their operational responsibility as Delegated Authorising Officers.

Subsequently, the Commission adopts every year a [Synthesis of management achievements](#), through which it assumes its political responsibility for management by its Directors-General and Heads of Service, on the basis of their Annual Activity Reports. In cases where the Directors-General or Heads of Service have made reservations to their declaration of assurance, the annual synthesis presents a first analysis of how these shortcomings will be addressed. It also examines views from beyond the Annual Activity Reports and addresses a number of important cross-

cutting issues raised by bodies including the Internal Auditor, the European Court of Auditors, the European Parliament and the Council of Ministers.

### **3.2. Responsibility when the implementation of the budget involves other actors**

In many cases, payments to final beneficiaries are not made by Commission departments directly. A high proportion of the budget is managed in association with the Member States, notably in the areas of structural funds and agriculture. Some tasks can also be delegated to national agencies and to third countries or carried out jointly with international organisations. In all these cases, the European Union defines the necessary control mechanisms and the Directors-General concerned include in their Annual Activity Reports a description of the control environment, and of the different tasks and responsibilities of all actors involved. As a result, the Commission can fully assume its political responsibility when adopting the Synthesis of management achievements.

### **3.3. The role of the other Institutions**

The [European Parliament](#) exercises political control over the Commission, in particular by approving the appointment of the Commission President, as well as the College as a whole, by having the power of adopting a motion of censure against the Commission, in which case the Commission must resign as a body, and by asking written and oral questions, to which the Commission is required to reply. Moreover, once a year, and upon recommendation by the [Council](#), the European Parliament approves the Commission's implementation of the EC budget, and its accounts, so closing the accountability cycle for the year in question (the "[discharge procedure](#)"). The Commission follows up the recommendations contained in the discharge resolution.

The [European Court of Auditors](#) is the external auditor of the Commission. Its mission is to audit independently the collection and spending of European Union funds and, through this, to assess the way that the European institutions discharge these functions. The Court examines whether financial operations have been properly recorded, legally and regularly executed and managed so as to ensure economy, efficiency and effectiveness. The Court makes the results of its work known through the publication of relevant, objective and timely [reports](#).

## **4. OPENNESS AND TRANSPARENCY: THE GUIDING PRINCIPLES**

The Commission is committed to working in an open manner. It endeavours to **communicate** actively about what it does and the decisions it takes. Before initiating legislation and policies the Commission must [consult](#) widely: the quality of EU policy depends on ensuring a wide participation of citizens, [civil society organisations](#) and all stakeholders throughout the policy chain. The Commission is committed to an inclusive approach when developing and implementing policies and has approved a set of internal [minimum standards for consultation of interested parties](#).

The Commission believes that transparency is necessary to build citizens' confidence in the European institutions, as well as to ensure the legitimacy and accountability of a public administration. It has taken different measures in that respect, in particular to



facilitate the [access to documents](#) held by the institutions, to provide a more transparent framework for its relations with representatives of interests (a register and a code of conduct), as well as to provide information on the beneficiaries of EU funds, always bearing in mind the need to protect sensitive and classified information.

The Commission also set up a [register of expert groups](#) to give a transparent overview of the advisory bodies that assist it and its departments in preparing legislative proposals and policy initiatives.

With the adoption of the [European Transparency Initiative](#), covering a broad range of issues such as providing easy access to existing information about the beneficiaries of projects and programmes, the need for a more structured framework for the activities of interest representatives (lobbyists) and the rules and standards on professional ethics of public office holders in the European institutions, the Commission continues to work towards the highest possible standards of transparency in public life.

In all its dealings, the Commission is subject to specific legal obligations concerning the [protection of personal data](#) and the processing thereof.

## **5. [BETTER REGULATION](#): MAKING LAW THAT BENEFITS CITIZENS AND STAKEHOLDERS**

The Commission has developed comprehensive policies and mechanisms to provide for a simple and high quality regulatory framework in the EU. This includes the following key actions and mechanisms of particular relevance for the governance of the Commission's work:

### **5.1. Impact assessment**

An important part of making high quality laws is having a full picture of their impacts. The Commission systematically examines the economic, social and environment impacts of its proposals. Since 2003 an impact assessment is compulsory for all major policy initiatives and legislative proposals which are on the [Commission Legislative and Work Programme \(CLWP\)](#). In addition, some other proposals, which are not featured in the CLWP but which potentially have significant impacts, may also be subjected to an impact assessment.

In November 2006, the Commission set up an [Impact Assessment Board](#). The Board is composed of high-level officials from different Commission departments and works under the direct authority of the President. It provides independent quality control of draft impact assessments carried out by individual Commission services.

When an initiative or a proposal is likely to have an impact on the Community budget, the Impact Assessment is combined with a financial ex-ante [evaluation](#) in accordance with the Financial Regulation.

## 5.2. Collection and use of expertise

The Commission has established good practices related to the [collection and use of external experts](#) at all stages of Commission policy-making ([COM \(2002\) 713](#)). They provide that Commission departments should always seek advice of an appropriately high quality, be open in seeking and acting on advice from experts, and ensure that its methods for collecting and using expert advice are effective and proportionate.

## 6. [ETHICS](#) : CLEAR RULES AND EFFICIENT SAFEGUARDS

The Commission expects a high level of professional and ethical standards from its staff.

### 6.1. Conduct of Commission staff

Commission staff are expected at all times to act objectively and impartially in the Community interest and for the public good. In practice, they operate within a framework of rules that govern their professional lives contained mainly in the [Staff Regulations](#) and the detailed implementing rules.

### 6.2. Relations with the public

Openness and transparency are the guiding principles for the relations with the public. The principles as well as detailed rules are described in the [Code of Good Administrative Behaviour](#).

### 6.3. Conflicts of interest

Rules are in place to avoid conflicts of interests. These cover rules governing the acceptance of gifts and favours<sup>2</sup>, the declaration of professional activities carried out by spouses or partners of staff<sup>3</sup>, the requirement for notification in cases where staff have duties which concern matters in which they have a personal interest which could impair their impartiality<sup>4</sup>, and the requirement to seek prior authorisation for any external activities<sup>5</sup>.

Commissioners have to respect similar principles: they have to [declare their interests](#) and are bound by the [Code of Conduct](#) for Commissioners, which defines their ethical environment and sets the guiding principles for the relations between Commissioners and Commission departments.

### 6.4. Financial liability of staff

The [Staff Regulations](#) stipulate that Commission staff may be required to make good, in whole or in part, any damage suffered by the Communities as a result of serious

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<sup>2</sup> Article 11 of the [Staff Regulations](#).

<sup>3</sup> Article 13 of the [Staff Regulations](#).

<sup>4</sup> Article 11a of the [Staff Regulations](#).

<sup>5</sup> Article 12b of the [Staff Regulations](#).

misconduct in connection with the performance of their duties. More specific provisions exist for financial actors in the Financial Regulation.

#### **6.5. Safeguards: ensuring high professional standards**

Administrative inquiries and disciplinary procedures are applied if someone fails to live up to above mentioned standards. The disciplinary system applies to any failure to comply with obligations under the [Staff Regulations](#), whether intentionally or through negligence.

Additionally, the mechanism of whistle blowing is enshrined in the [Staff Regulations](#); Commission staff are duty bound to report possible fraud or corruption, detrimental to the interest of the Communities, or a serious failure to comply with professional obligations, either within the Commission or directly to the [Anti-Fraud Office \(OLAF\)](#). Staff suffer no prejudicial effects as a result of having communicated this information.