COMMUNICATION TO THE COMMISSION

Governance in the European Commission
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GOVERNANCE IN THE EUROPEAN COMMISSION

The European Commission is the executive of the European Union. It promotes the Union’s general interest and takes appropriate initiatives to that end. It ensures the application of the Treaties and oversees the application of Union law under the control of the Court of Justice of the European Union. It exercises coordinating, executive and management functions, executes the budget and manages programmes.

The Commission’s internal functioning is based on a number of key principles underpinning good governance: clear roles and responsibilities, a strong commitment to performance management and compliance with the legal framework, clear accountability mechanisms, a high quality and inclusive regulatory framework, openness and transparency, and high standards of ethical behaviour.

The purpose of this document is to explain the Commission’s governance arrangements and how these ensure that the Commission functions as a modern, accountable and performance-oriented institution.

1. ROLES AND RESPONSIBILITIES OF THE COLLEGE AND DIRECTORS-GENERAL/HEADS OF SERVICES

The European Commission has a unique governance system, with a clear distinction between political and administrative oversight structures and well-defined lines of responsibility and financial accountability. The origins of this system lie in the Treaties, but the structure has evolved to adapt to a changing environment and to remain in line with best practice as set out in relevant international standards such as the COSO (Committee of Sponsoring Organizations of the Treadway Commission) 2013 Internal Control-Integrated Framework, the 2014 Conceptual Framework of the International Public Accounting Standards Board or audit standards as drawn up by the Institute of Internal Auditors.

The College of Commissioners represents the apex of this architecture and assumes collegial political responsibility for the work of the Commission. Operational implementation is delegated to Directors-General and Heads of Service who lead the administrative structure of the Commission. Their respective responsibilities are described below.

1.1. The College of Commissioners

The Treaty on European Union (Article 17) and the Treaty on the Functioning of the European Union (Articles 244-250) set out in detail what is required, by law, of Commissioners – as individuals and as a College.

Article 17 of the Treaty on European Union states that the Members of the Commission shall be chosen on the grounds of their general competence. They have political

1 As a result, the term 'European Commission' is used to denote both the institution – i.e. the College – formed by the Members of the Commission, and the administration managed by the Directors-General of its departments (and heads of other administrative structures such as services, offices and executive agencies) which supports the institution.
responsibility and the Commission is accountable before the European Parliament. Members of the Commission are completely independent in the performance of their duties, i.e. they neither seek nor take instructions from any government or institution, body, office or entity. They shall refrain from any action which is incompatible with their duties or the performance of their tasks. The Code of Conduct for Commissioners clarifies the obligations for Commissioners deriving from the Treaties, in particular as regards the principle of independence, possible conflicts of interests and their obligation to discharge their duties in the general interest of the Union. An Independent Ethical Committee advises the Commission on the compatibility with the Treaties of former Commissioners’ envisaged post-office activities and any ethical question related to the Code.

Members of the Commission shall resign if the President so requests. Further, if Commissioners no longer fulfil the conditions required for the performance of their duties or if they have been guilty of serious misconduct, the Court of Justice may, on application by the Council or the Commission, compulsorily retire them.

As a College, the Commission works under the political guidance of its President, who presents the objectives he or she intends to pursue in the form of the President’s political guidelines. The President decides on the internal organisation of the Commission so as 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 participate equally in the decision-making process and are collectively responsible at the political level for all Commission decisions and actions taken. The President may also appoint Vice-Presidents, other than the High Representative of the Union for Foreign Affairs and Security Policy, from among the Members of the Commission. The Vice-Presidents assist the President to exercise his or her rights and prerogatives in their areas of responsibility. They are entrusted with well-defined priority projects and steer and coordinate work across the Commission in line with the priorities set out in the President’s political guidelines.

The Members of the Commission are responsible for the implementation of the political priorities laid down in the political guidelines and the Commission Work Programme, with the help and support of their Cabinets and the Commission services. Those Vice-Presidents with no services reporting directly to them are supported in their functions by the Secretariat-General, which is the main service of the President. Via the Secretariat-General, Vice-Presidents are able to draw on any service in the Commission whose work is relevant for their area of responsibility. Their steering and coordination role in their area of responsibility involves bringing together several Commissioners and different parts of the Commission to shape coherent policies and deliver results.

The Commission also carries out an important range of financial and managerial tasks. The internal arrangements set up by the College create a structure of robust controls and management tools which allow the College to take political responsibility for the

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decisions it takes as well as for coordinating, executive and management functions, as laid down in the Treaties.4

The College is accountable to the European Parliament, which may vote on a motion of censure of the Commission (Article 234 of the Treaty on the Functioning of the European Union). If such a motion is carried, the Members of the Commission shall resign. The Parliament decides annually, on the basis of a recommendation from the Council, on the discharge of the Commission for the implementation of the EU budget (Article 319 of the Treaty on the Functioning of the European Union).

1.2. The Directors-General and Heads of Service

The College establishes the organisational structure of the Commission, which is composed of a number of Directorates-General and equivalent departments forming a single administrative service to assist it in the preparation and performance of its tasks, and in the implementation of its priorities and the political guidelines laid down by the President.

The Rules of Procedure of the Commission5 and the Rules giving effect to them6, as well as the Working Methods of the European Commission7 as adopted by the Commission at the beginning of its term, frame the relations between the Members of the Commission and their services. These relations are based on the principles of loyalty, trust and transparency.

Specific working arrangements are established between each Commissioner and the Director(s)-General falling under their authority. These rules provide, in particular, for the obligation of the services to alert the Member of the Commission to any information likely to call into question his/her responsibility or that of the College.

Directors-General and Heads of Service are responsible for the management of their departments in accordance with the rules and standards laid down by the Commission. They shape the organisational structures of their services, on the basis of the organisation charts adopted by the College, to pursue the political objectives of the Commission and fulfil its legal and financial obligations, while striving for efficiency, flexibility and a high level of performance. They are responsible for allocating the resources within their service and ensuring that individual organisational entities – Directorates, Units and other structures – are appropriately staffed for performing their tasks.

Under the supervision of the competent Commissioner, Directors-General are also responsible for the operational implementation of the EU budget. The delegation of authorising powers is decided annually by the Commission (see Section 3).

4 Article 17(1) of the Treaty on European Union.


The Secretariat-General is at the heart of the European Commission as an institution and of its civil service. Under the authority of the President, it serves the whole College, oversees the implementation of the European Commission’s political priorities and ensures the collegiality, the consistency, the efficiency and the regularity of the Commission’s action. To this end, the Secretariat-General is tasked with a range of policy development, steering and coordination functions, both upstream and downstream of the decisions of the Commission, both internally and externally.

The Legal Service, which also works under the authority of the President, has a double role. On the one hand, it gives legal advice on the form and the content of any legislative proposal to the Parliament and Council, and of any other act (Regulations, Directives, Decisions, recommendations or opinions) to be adopted by the Commission, on procedures launched against Member States for non-compliance with EU law and on the conduct of international negotiations. On the other hand, it represents the Commission in all legal proceedings, in particular in those in front of the Court of Justice of the European Union.

1.3. The Corporate Management Board

Acting under the President’s authority, the Corporate Management Board contributes to the corporate governance of the Commission by providing coordination, oversight, advice and strategic orientations on corporate management issues. These include strategic planning and programming, the management of financial and human resources, information management, risk management, information technology and cybersecurity, security and business continuity, anti-fraud activities and audits of a corporate dimension. In this way, the Corporate Management Board, which reports to the President and the Member(s) of the Commission in charge of budget, human resources and administration, supports the Commission in delivering on the political priorities of the President in an efficient and effective manner. Chaired by the Secretary-General, it brings together on a regular basis the Directors-General responsible for budget, human resources and security, and the Director-General of the Legal Service. The Member(s) of the Cabinet of the President responsible for budget and administration, as well as the Head(s) of Cabinet of the Member(s) of the Commission in charge of budget, human resources and administration, are observers. The Head of Cabinet of the Member chairing the Audit Progress Committee and the Director-General of the Internal Audit Service may be invited to participate in the meetings of the Corporate Management Board when audit issues are discussed. The work of the Board is supported by a number of other specialised boards or groups, including the Information Technology and Cybersecurity Board, the Information Management Steering Board, and the Group of Resource Directors. The College is informed about the work of the Corporate Management Board.

2. PERFORMANCE FRAMEWORK

All Commission activities are carried out to fulfil the tasks entrusted to it by the Treaties, in order to achieve the objectives of the European Union, as laid down in Article 3 of the Treaty on European Union. Performance management is therefore an integral part of the Commission’s work. The performance framework in place distinguishes between the performance of the Commission services on the one hand; and the performance of the programmes financed by the EU budget and managed by the Commission, Member States or other bodies on the other (see also Section 3).

As regards the Commission services, performance management is implemented through the Strategic Planning and Programming cycle, which encompasses the setting of
objectives, allocation of resources according to these objectives, risk management (see section 3.3), regular monitoring and reporting on whether the objectives have been reached as well as regular evaluations.

As regards programmes financed by the EU budget, performance management is conducted in accordance with the requirements laid down in the basic and implementing legal acts governing the programmes.

2.1. Setting of objectives

At the beginning of each mandate, the President of the Commission issues political guidelines for the Commission's term of office. To ensure the alignment of the Commission activities with the political guidelines, new initiatives are subject to validation at the political level and the guidelines are translated annually into concrete deliverables in the Commission Work Programme. As part of the Strategic Planning and Programming cycle, every service of the European Commission prepares an annual Management Plan under the umbrella of a multiannual Strategic Plan. The Strategic Plan defines the overall strategy and specific objectives for the Commission’s term of office, while the Management Plan lists the deliverables for the given year. Objectives are accompanied by indicators to measure the progress towards set targets. These indicators enable the Directors-General to plan, follow up and report on the activities and resources of the Directorate-General, and to ensure that resources are aligned to objectives. The Commission Work Programme as well as the Strategic Plans and Management Plans are available on the Commission website.8

The objectives of EU financial programmes are laid down in the basic and implementing legal acts governing these programmes. These acts also define indicators to measure progress, as well as monitoring, reporting and evaluation arrangements. Performance information and progress towards the achievement of programme objectives is updated annually in a working document (‘Programme Statement’) accompanying the draft EU budget.

2.2. Allocation of resources

The Multiannual Financial Framework lays down the maximum annual amounts (‘ceilings’) which the EU may spend in different policy fields (‘headings’) over a period of at least 5 years. The current Multiannual Financial Framework covers seven years: from 2014 to 2020. It provides a framework for financial programming and budgetary discipline by ensuring that EU spending is predictable and stays within the agreed limits.

By defining in which areas the EU should invest over the period, the Multiannual Financial Framework is an expression of political priorities as well as a budgetary planning tool. The annual budget is adopted within this framework. Its structure allows the spending on each policy and programme to be easily identified and monitored.

Regarding the allocation of human resources to its departments and services, the Commission aims to ensure that its workforce is deployed optimally between and within the Commission’s departments according to the political priorities, legal obligations and organisational fitness.

2.3. Monitoring and reporting on achievement of objectives

An essential part of performance management in the Commission is the continuous monitoring and measurement of the impacts and results of its activities. Each year, as part of the Strategic Planning and Programming cycle, Commission departments produce Annual Activity Reports that describe the state of implementation and progress towards the achievement of policy and organisational management objectives as set out in their Strategic Plans and Management Plans, as well as achievements in relation to financial management and the internal control objectives (see Section 3.2).

The Annual Activity Report is a key component of the accountability chain as it attests to the legality and regularity of financial transactions executed under the responsibility of Directors-General (see Section 3 for more details).

Responsibility for performance in relation to the achievement of EU policy objectives and the results achieved with the EU budget is shared with a wide range of public and private sector actors at European and national level. Nonetheless, the Annual Activity Reports provide information on the Commission’s contribution to the policy achievements and the results achieved with the EU budget, and detailed reporting on the performance of financial programmes is included in the Programme Statements attached to the draft EU budget. Additional reporting on policy achievements is contained in sectoral reports and in reports such as the annual General Report on the Activities of the European Union9.

The Annual Activity Reports, together with the Programme Statements and information from evaluations, form the basis for the Annual Management and Performance Report for the EU Budget. This report covers the management, protection and performance of the EU budget. The report provides a comprehensive overview of how the EU budget supports the European Union’s political priorities, the results achieved with the EU budget and the role the Commission plays in ensuring and promoting the highest standards of budgetary and financial management. It fulfils the legal obligations contained in Article 318 of the Treaty on the Functioning of the European Union and in the Financial Regulation (see Section 3.4).

2.4. Evaluation

New policies are generally accompanied by impact assessments which look at options to deliver policy objectives in the most efficient way. They also anticipate how policies will be monitored and evaluated subsequently. Evaluations are used to assess the results and impacts of EU interventions in terms of efficiency, effectiveness, coherence, relevance and EU added-value. Evaluation findings feed into new policy development, including legislative revisions and improvement of spending programmes., The Commission also applies an ‘evaluate-first’ principle for the revision of existing legislation. As part of the REFIT Programme such evaluations consider the potential to simplify existing legislation and to tackle unnecessary regulatory costs. The Commission performs comprehensive evaluations of regulatory areas through Fitness Checks covering whole sectors, subsectors or cross-cutting policy instruments. The Regulatory Scrutiny Board reviews the

9 Produced in accordance with Article 249(2) of the Treaty on the Functioning of the European Union.
quality of major evaluations and Fitness Checks. The Better Regulation Guidelines\textsuperscript{10} and toolbox include a dedicated chapter on evaluations.

3. ACCOUNTABILITY AND CONTROL

Overall responsibility for the implementation of the EU budget lies with the European Commission. However, for the approximately 80% of budget appropriations implemented together with the Member States in shared management, close cooperation between the Member States and the Commission is necessary to ensure that the appropriations are used in accordance with the principles of sound financial management and that the financial interests of the EU are well protected.

3.1. The Commission’s decentralised model of financial management

The Commission’s model of decentralised decision-making in budget implementation results from the administrative reform of 2000\textsuperscript{11}. The accountability chain in the Commission is clearly defined in the Financial Regulation. The Authorising Officer of the Commission is the College of Commissioners. The College delegates financial management tasks to the Directors-General or Heads of Service who thereby become Authorising Officers by Delegation\textsuperscript{12}. These tasks can further be delegated by the Authorising Officer by Delegation to Directors, Heads of Unit and others, who thereby become Authorising Officers by Sub-Delegation.

The Commission may also delegate the implementation of specific programmes to executive agencies. The governance architecture of executive agencies is defined in Regulation 58/2003 laying down the statute of such agencies\textsuperscript{13} and is further defined in the act of delegation itself and also in the agency’s establishment act. Each agency is managed by a senior Commission official, seconded in the interest of the service to the agency as its Director and supervised by a Steering Committee composed of senior Commission officials appointed by the Commission. The Steering Committee adopts the agency’s annual work programme comprising detailed objectives and performance indicators, as well as the agency’s Annual Activity Report and the administrative budget. The Commission’s arrangements for planning, accounting, internal control systems, internal audit, reporting and accountability are fully applicable to the executive agencies.

Processes and modes of implementation may vary between programmes and management modes. Expenditure decisions can be directly executed by the Commission or an executive agency but also indirectly via, or together with, another institution or body such as joint undertakings and bodies provided for by Article 185 of the Treaty on the Functioning of the European Union. A large proportion of the budget is managed in shared management with the Member States, notably in the areas of structural funds and


\textsuperscript{12}Those delegations are made on a yearly basis by the Internal rules on the implementation of the general budget of the European Union for the attention of the Commission departments.

agriculture. Budget implementation tasks are also entrusted to national agencies, the European Investment Bank Group, third countries, international organisations (World Bank or United Nations for example), and other entities. In all these cases, the Financial Regulation and/or the Delegation Agreements define the necessary control and reporting mechanisms by these entities and the supervision measures by the Commission.

3.2. Implementing the budget according to sound financial management principles

As Authorising Officers by Delegation, the Directors-General are responsible for the sound financial management of resources, which includes ensuring that resources are used for their intended purpose, and for setting up cost-effective control systems to ensure that the Commission’s internal control objectives are achieved. The control system is intended to provide reasonable assurance that operational activities and controls are effective, efficient and economic, transactions are legal and regular, financial and management reporting is reliable, fraud is prevented and corrected, assets and information are safeguarded, robust reporting on the achievement of operational objectives is ensured. They also provide reasonable assurance that technology is controlled. Authorising Officers by Delegation may formally sub-delegate responsibility to appropriate staff to authorise expenditure and revenue on their behalf, while remaining ultimately responsible and accountable themselves. They may also cooperate with other Authorising Officers by Delegation by pooling part of their control resources to create specialised common services to jointly implement a specific section of their control chains.

In implementing the EU budget, Authorising Officers by Delegation must respect the provisions of the Financial Regulation and should establish an appropriate internal control framework in line with the Commission’s Internal Control Framework. In line with the COSO 2013 Internal Control principles, the framework consists of five internal control components which underpin 17 principles, each supported by several characteristics. These characteristics, which may be implemented according to the particularities of the Directorate-General, assist the Director-General in designing and implementing internal controls and in assessing whether the relevant principles are implemented and functioning overall. Commission departments are required to follow these principles and put in place a solid and robust internal control framework to ensure that the objectives are achieved. Besides financial control, the principles also address aspects linked, for example, to integrity and ethics (see Section 4), human resources management, communication and safeguarding of information. Each Authorising Officer by Delegation is supported by one or two senior or middle manager(s) in charge of risk management and internal control to oversee and monitor the implementation of internal control systems within the Commission department.

In addition, the Secretariat-General and the Directorate-General for Budget, in cooperation with the other central services of the Commission provide guidance and advice, promote best practices, monitor the effective implementation of corporate guidance and recommend improvements to the overall internal control system and to the

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14 In exceptional cases Delegation Agreements are concluded with EU decentralised agencies and other EU bodies.

principles which underpin the basic control framework, including the implementation of the internal control principles and characteristics under their respective areas of competence.

3.3. Risk management in the European Commission

The basic principles underpinning risk management in the Commission are set out in the Communication to the Commission – “Towards an effective and coherent risk management in the Commission services”\(^\text{16}\). The Commission’s approach to risk management entails, as part of the Strategic Planning and Programming cycle, a continuous, proactive and systematic process of identifying, assessing, and managing risks. Risk management is carried out at every level of the Commission to provide reasonable assurance as regards the achievement of objectives. Authorising Officers by Delegation are responsible for identifying and assessing the risks that could prevent the realisation of the set objectives in their particular area and, if needed, for implementing actions to mitigate them. Risks with high priority are classified as critical. Risks for which a cross-DG response is more efficient are classified as cross-cutting.

The Secretariat-General and DG BUDG provide the Corporate Management Board with a list compiling all the critical risks that have been communicated to them by the Directorates-General indicating which risks are linked to the Commission’s priorities and with the results of a peer review process which they will organise to examine the critical risks.

The Corporate Management Board oversees the risk management process. In particular, it reviews the list of critical risks, decides on a case-by-case basis on the need to invite the responsible DGs to discuss their risk response and transmits consolidated information on the list of critical risks and possible additional comments to the Internal Audit Service. The Internal Audit Service transmits this information to the Audit Progress Committee in the context of its consideration of the IAS audit plan.

The College will be informed about the Corporate Management Board’s findings concerning risk management.

The Information Technology and Cybersecurity Board oversees IT related risks.

3.4. Reporting on the management of the EU budget

The main accountability instruments are the Annual Activity Reports, the Annual Management and Performance Report (see Section 2.3) and the annual accounts (see section 3.5).

Each Annual Activity Report contains a signed declaration of assurance by the Director-General / Head of Service in his or her capacity as Authorising Officer by Delegation in relation to his or her financial and control responsibilities (see Section 2.3.) as well as a statement from the Director in charge of Risk Management and Internal Control on the completeness and reliability of the information reported\(^\text{17}\). The draft Annual Activity

\(^{16}\) SEC(2005)1327, Communication to the Commission from Ms Grybauskaite in agreement with the President and Vice-President Kallas, Towards an effective and coherent risk management in the Commission services, 20.10.2005.

\(^{17}\) C(2017)2373 final, Communication to the Commission from Commissioner Oettinger in agreement with President Juncker on the revision of the Internal Control Framework, 19.4.2017 – Appendix 3.
Report and any possible reservations are reviewed by the Secretariat-General and DG BUDG which provide feedback, where appropriate, after a peer review process. The draft Annual Activity Report is discussed with the relevant Commissioner before the final report is signed. It includes, as provided for in the Financial Regulation, a description of the control environment and of the different tasks and responsibilities of all actors involved and reports on the control results and assurance provided for the management of the EU funds by entrusted entities.

The Annual Management and Performance Report describes the Commission’s management of the EU budget and summarises information on areas including the achievement of the internal control objectives; the management of risks to the legality and regularity of financial operations; the results of the actions taken to protect the EU budget, the cost-effectiveness of controls; and anti-fraud strategies. The report also addresses a number of important cross-cutting issues raised by bodies including the Commission’s Internal Audit Service, the European Court of Auditors, the European Parliament and the Council. Through the adoption of the Annual Management and Performance Report, the Commission assumes its political responsibility for the management of the EU budget, which encompasses accountability for the work of its departments and services.

The consolidated annual accounts of the EU provide financial information on the implementation of the EU budget and thus reflect the financial information of each Directorate-General/Service as well as that of the other consolidated Institutions and agencies. Through the adoption of the annual accounts, the Commission assumes its political responsibility for the financial management of the EU budget.

Both the Annual Management and Performance Report and the annual accounts are part of an integrated financial and accountability reporting package through which the European Commission provides comprehensive reporting on the EU budget, in line with the Conceptual Framework for General Purpose Financial Reporting by Public Entities, and which serves to increase transparency and accountability. This package includes also a number of reports provided for in the Financial Regulation.

This package is submitted to the European Court of Auditors, the European Parliament and the Council in the context of the annual discharge to the Commission on the implementation of the EU budget. The discharge process is coordinated within the Commission by the Directorate-General for Budget.

3.5. The Accounting Officer

The Commission’s Accounting Officer is responsible for proper implementation of payments, collection of revenue and recovery of amounts established as being receivable, keeping the accounts, preparing and presenting the Commission’s annual accounts and the consolidated annual accounts of the EU, laying down the accounting rules and

18 Since the 2016 Annual Management and Performance Report, the former Communication on the Protection of the EU Budget is part of the Annual Management and Performance Report.

19 These accounts comply with the information requirements of the relevant international accounting standards (IPSAS).

20 ‘Conceptual Framework’ (Conceptual Framework for GPFRs) adopted in October 2014 by the International Public Accounting Standards Board (IPASB).
methods and the chart of accounts to be applied by the DGs and services of the Commission, as well as the consolidated EU Institutions and bodies.

Moreover, the Accounting Officer is also responsible for laying down and validating the accounting systems and, where appropriate, validating systems laid down by the authorising officer to supply or justify accounting information. Where weaknesses are identified, recommendations for improvements are made and action plans followed-up.

The Accounting Officer signs the EU accounts, certifying that the necessary checks have been made and that they have been prepared in accordance with the accounting principles, rules and methods established under his or her responsibility so that they present fairly, in all material aspects, the financial position, the results of the operations and the cash flows of the EU. These accounts are then adopted by the Commission in accordance with the Financial Regulation.

The Accounting Officer is also responsible for treasury management, except where the legislator has entrusted this task – as part of the broader responsibility of managing the assets of specific guarantee funds – to a Financial Manager. The designated Financial Manager can either be an external body (the European Investment Bank as in the case of the Guarantee Fund for External Action) or the Commission. The latter may, with the agreement of or on the proposal of the Accounting Officer, delegate the responsibility of Financial Manager for the specific guarantee funds to the Directorate-General for Economic and Financial Affairs.

With the agreement of or on the proposal of the Accounting Officer, the responsibility for the treasury management of specific financial portfolios (including the related accounting operations), in addition to those referred to above, may be delegated by the College to the Directorate-General for Economic and Financial Affairs as Financial Manager.

The Accounting Officer presents the annual consolidated EU accounts to the Audit Progress Committee so as to discuss any relevant risks and audit issues as well as the Commission's actions taken to follow up the European Court of Auditor’s audit recommendations related to the reliability of the accounts.

3.6. The Central Financial Service

Within this decentralised governance structure, the Central Financial Service, part of the Directorate-General for Budget, is the lead service as regards the Financial Regulation. It also provides support and coordination with regard to the internal control framework and strengthening of the reliability of financial and management reporting by the Authorising Officers by Delegation to the College, checking its compliance with corporate guidance and the applicable rules. It also provides support, advice and training to Commission departments and other institutions on matters related to financial management and reporting, including interpretation of legislation and internal control and risk management. To this end, it develops standards and guidelines, and facilitates exchange of good practices in the field to help Authorising Officers assume their financial management responsibilities. The Central Financial Service also operates the Early Detection and Exclusion System (EDES), which ensures the protection of the Union’s financial interests against unreliable economic operators. Administrative sanctions may be imposed on unreliable economic operators (exclusion from the award of Union funds and/or imposition of financial penalties) at the request of Authorising Officers of all
Institutions and bodies only on the basis of a recommendation issued by an Interinstitutional Panel chaired by a Standing High-level Independent Chair. This Interinstitutional Panel has also replaced the Specialised financial irregularities panels set up by the Commission and other Union Institutions and taken over their advisory role in determining the existence and the consequences of financial irregularities committed by members of staff.

3.7. Internal scrutiny of the European Commission

3.7.1. The Internal Audit Service and the Audit Progress Committee

The Internal Audit Service (IAS) is a service of the Commission headed by the Internal Auditor of the Commission who is, by virtue of the Financial Regulation, independent in the performance of his or her duties. The IAS applies the International Standards for the Professional Practice of Internal Auditing as drawn up by the Institute of Internal Auditors. Its mission is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight. The IAS helps the Commission accomplish its objectives by bringing a systematic, disciplined approach in order to evaluate and improve the effectiveness of risk management, internal control and governance processes. Its tasks include assessing and making appropriate recommendations for improving the risk management, control and governance process in the accomplishment of the following objectives: promoting appropriate ethics and values within the organisation, ensuring effective organisational performance management and accountability, and effectively communicating risk and control information to appropriate areas of the organisation. Thereby it promotes a culture of efficient and effective management within the Commission and its departments.

The Audit Progress Committee (APC) assists the College of Commissioners in fulfilling its obligations under the Treaties, the Financial Regulation and other statutory instruments by ensuring the independence of the IAS and monitoring the quality of internal audit work and the follow-up given to internal and external audit recommendations, as well as the European Court of Auditors discharge-related findings and recommendations on the reliability of the annual consolidated EU accounts. In this way the APC contributes to the overall further improvement of the Commission’s effectiveness and efficiency in achieving its goals and facilitates the College’s overseeing of the Commission’s governance, risk management, and internal control practices. The APC is composed of nine members, of which up to six are Commissioners and at least three are external members with proven expertise in audit and related matters. It is chaired by the First Vice-President. While the APC has no management powers it may, at any time, report to the Commission on any issues arising out of the Committee's work on


23 See Article 123 of the Financial Regulation.

24 C(2017)2225 final, Communication to the Commission from First Vice-President Timmermans in agreement with the President of the Commission on the Audit Progress Committee of the European Commission, 4.4.2017.
which it considers the College needs to be informed or take action. The APC may also bring issues to the attention of the Corporate Management Board as appropriate. The APC reports annually to the College on its main conclusions and recommendations as concerns the risk, control and compliance framework in the Commission, which feeds into the Annual Management and Performance Report.

3.7.2. Combating Fraud: The European Anti-Fraud Office (OLAF)

The mission of the European Anti-Fraud Office (OLAF) is to protect the financial interests of the European Union by detecting, investigating and working towards stopping fraud with European Union funds. With the establishment of the European Public Prosecutor’s Office, OLAF will continue its administrative investigations into irregularities and fraud affecting the EU’s financial interests. In doing so, it will consult and coordinate closely with the European Public Prosecutor's Office. The EU and the Member States share responsibility for protecting the EU’s financial interests and fighting fraud.

OLAF’s mandate is to conduct independent investigations into fraud and corruption and any other illegal activity involving EU expenditure and EU revenue, so as to ensure that all EU taxpayers’ money reaches projects that can stimulate the creation of jobs and growth in Europe; to investigate serious misconduct by EU staff and members of the EU institutions, thus contributing to strengthening citizens’ trust in the EU institutions; and to contribute to the design and development of methods for preventing and combating fraud.

OLAF is the lead service in the conception and development of a European Anti-Fraud Policy. It deals with all phases of fraud prevention and detection, from the conception of a policy, the implementation of existing and new policies, to the reporting on its progress and effectiveness.

Since the adoption of the Commission Anti-Fraud Strategy\(^{25}\) (CAFS), all Commission Directorates-General are required to develop and implement an anti-fraud strategy. OLAF assists the Directorates-General in the definition of their anti-fraud strategy by providing, \textit{inter alia}, a methodology and guidance on the development and implementation of the sectoral Anti-Fraud Strategies. These strategies are regularly updated by the respective Authorising Officers by Delegation and reviewed by OLAF which ensures overall coordination of the process. Reporting on the implementation of the CAFS is contained in the Annual report on the protection of the European Union’s financial interest -fight against fraud, as referred to in Article 325 of the Treaty on the Functioning of the European Union, adopted by the College.

OLAF is part of the European Commission and operates under the responsibility of a Member of the Commission (currently the Member of the Commission in charge of budget and human resources) as regards its tasks concerning anti-fraud policy. However, in its investigative mandate, OLAF acts in full independence. To reinforce and guarantee OLAF’s independence, the Supervisory Committee, composed of five independent external experts (appointed by common agreement of the European Parliament, the

Council and the Commission) regularly monitors the implementation of OLAF’s investigative function.

3.8. External scrutiny of the European Commission’s financial management

3.8.1. The European Court of Auditors and the discharge given by the European Parliament

The European Court of Auditors (ECA) is the external auditor of the EU’s finances. 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. By providing reports for EU policymakers and citizens and cooperating closely with other supreme audit institutions, the Court plays an important role in the development of a performance framework to obtain better results from EU spending. The Court makes the results of its work known through the publication of relevant, objective and timely reports.

According to Article 319 of the Treaty on the Functioning of the European Union, the European Parliament is responsible for giving discharge to the Commission in respect of the implementation of the budget. Upon recommendation by the Council and taking into consideration the ECA’s annual report, which also includes the Statement of Assurance on the reliability of the accounts and the legality and regularity of underlying transactions, the European Parliament adopts a yearly discharge resolution, with observations and recommendations on budget implementation forming an integral part of its discharge decision. The Commission takes appropriate action on the observations contained in the discharge resolution as well as on comments accompanying the recommendations on discharge adopted by the Council and reports on their follow up.

4. ETHICS: CLEAR RULES AND EFFICIENT SAFEGUARDS

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

4.1. Conduct of Commission staff

The Commission’s internal control framework requires that management and staff are aware of, and share, appropriate ethical and organisational values and uphold these through their own behaviour and decision-making. The Commission staff operates within a framework of rules contained mainly in the Staff Regulations and more detailed implementing rules to these Regulations. Staff are expected at all times to act objectively, impartially and lawfully as well as in the sole interest of the Union and for the public good. Compulsory training and regular awareness raising actions are organised.

4.2. Relations with the public

Lawfulness, equal treatment, proportionality, consistency, objectivity, impartiality as well as openness and transparency are the guiding principles for the relations with the
public. These principles are specified in the Code of Good Administrative Behaviour\(^26\) of the European Commission.

4.3. **Conflicts of interest**

Staff Regulations provisions and implementing rules regarding conflict of interest issues cover the requirement for ad hoc notification of conflicts of interest which could impair the impartiality of staff, a check of possible conflicts of interests before recruitment and upon return from a leave on personal grounds, rules governing the acceptance of gifts and favours, the declaration of professional activities carried out by spouses or partners of staff, the requirement to seek prior authorisation for any external activities and to notify post service activities. Specific rules of the Financial Regulation apply to financial actors and other persons involved in budget implementation and management.

4.4. **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 Union as a result of serious misconduct in connection with the performance of their duties. More specific provisions exist for financial actors in the Financial Regulation.

4.5. **Enforcement: ensuring high professional standards**

The disciplinary provisions apply 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 and explained in the Commission Guidelines on Whistleblowing\(^27\); Commission staff are duty bound to report possible fraud or corruption, detrimental to the interest of the Union, or a serious failure to comply with professional obligations, either within the Commission or directly to the Anti-Fraud Office (OLAF). The mechanism protects staff from any prejudicial effects as a result of having communicated this information.

Besides these specific elements, criminal offences of staff can of course be subject to criminal prosecution.

4.6. **The Commission’s Investigation and Disciplinary Office (IDOC)**

The Commission’s Investigation and Disciplinary Office conducts impartial administrative inquiries and handles disciplinary proceedings on behalf of the Appointing Authority. For its inquiries, IDOC deals with potential breaches of the staff rules which either do not fall under the remit of the European Anti-Fraud Office or whose investigation is left to IDOC for reasons of efficiency or proportionality.

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5. BETTER REGULATION, OPENNESS AND TRANSPARENCY: THE GUIDING PRINCIPLES

The Commission is committed to working in an open and transparent manner. It endeavours to communicate actively what it does and the decisions it takes, as transparency is necessary to build citizens’ confidence in the European institutions, as well as to ensure the legitimacy and accountability of a public administration. The Commission has taken a range of measures in that respect in particular by providing a more transparent framework for its relations with interest representatives, by ensuring appropriate consultation of stakeholders, by providing information on its activities and the beneficiaries of EU funds, as well as by facilitating access to its documents.

This commitment is reflected, inter alia, in the Better Regulation Agenda, designed to ensure that policy is prepared, implemented and evaluated in an open, transparent manner, informed by the best available evidence and backed up by the comprehensive involvement of stakeholders.

5.1. Better Regulation

The Commission has set out its commitment to better regulation in its agenda,28 ‘Better regulation for better results’, and works together with the co-legislators (the European Parliament and the Council)29 to deliver tangible results. Better Regulation Guidelines have been put in place to assess the expected and actual impacts of policies, legislation, and other important measures at every stage of the policy cycle – from planning to implementation, monitoring and evaluation of performance and identification of next steps.

The Commission endeavours systematically to conduct impact assessments of legislative proposals likely to have significant economic, social and environmental impacts. The Regulatory Scrutiny Board provides an independent check of the assessment’s quality. Three members, recruited from outside of the Commission, work full time alongside three Commission officials and the Board’s Chair to assess the quality of Commission impact assessments and selected evaluations. The Board is located administratively in the Secretariat-General and is functionally separated from the policymaking activities of the Commission services. In principle, a positive opinion is also needed from the Board for an initiative accompanied by an impact assessment to be tabled for adoption by the Commission.

Moreover, the Commission strives to ensure that all its initiatives provide maximum benefits with minimum administrative and regulatory burden. Within its Regulatory Fitness and Performance programme (REFIT), the Commission ensures that EU law remains fit for purpose and delivers the results intended by policy makers in the most efficient and effective way. REFIT relies strongly on stakeholders’ input. The REFIT

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Platform\textsuperscript{30}, set up in 2015, collects and assesses suggestions for reduction of regulatory and administrative burdens coming from EU laws and the Commission has committed to react to all suggestions from the Platform and explain the follow up.

5.2. Stakeholder Consultation

Stakeholder consultation is enshrined in the Treaty\textsuperscript{31} and aims to ensure that the Union’s actions are evidence-based, coherent and transparent.

Building on the minimum standards for consultations established in 2002\textsuperscript{32}, the Commission strengthened, as part of its Better Regulation agenda, its commitment to consultations that are of high quality and transparent, reach all relevant stakeholders and target the evidence needed to make sound decisions. Consulting widely those that are affected by legislation ensures that policies are based on the best available evidence and makes them more effective.

In addition to consultations targeted at specific stakeholders, the Commission gives all citizens and stakeholders the opportunity to express their views throughout the policy cycle. They can provide feedback on documents informing on planned initiatives (‘roadmaps’ or ‘inception impact assessments’) and contribute to twelve-week public consultations on new initiatives under preparation or evaluations of the performance of existing EU actions. There is also the possibility for giving feedback on legislative proposals adopted by the College and on draft implementing and delegated acts. The choice of the most appropriate consultation tool is always case-specific and depends on consultation objectives, target groups to be reached and available time and resources. A twelve-week public consultation must be part of the consultation strategy for initiatives subject to an impact assessment, evaluation and fitness checks as well as for Green Papers.

The ‘Have your say’\textsuperscript{33} website is the central access point to consultations and feedback opportunities enabling stakeholders to express their views on EU policies. In July 2018, the website has been redesigned, making it more user-friendly. Summaries (available in all official EU languages) and timelines provide users with more information on each initiative in preparation and on upcoming opportunities for citizens and stakeholders to provide input.

The Better Regulation Guidelines and toolbox include a dedicated chapter on stakeholder consultation aiming to improve the quality and effectiveness of its consultation regime. Since July 2017, the chapter includes a clear policy on translating public consultations. Public consultations related to Commission Work Programme priority initiatives need to be translated into all official EU languages and all other public consultations need to be

\begin{itemize}
  
  \item \textsuperscript{31}Article 11 (3) Treaty on the European Union and Art. 2 Protocol No. 2, on the application of the Principles of Subsidiarity and Proportionality.
  
  
  \item \textsuperscript{33}http://ec.europa.eu/info/law/contribute-law-making_en.
\end{itemize}
made available in at least English, French, and German. Contributions can always be submitted in any of the EU official languages.

5.3. Transparency Portal

The revamped ‘Transparency Portal’ acts as a single window to the wide range of instruments developed over recent years to facilitate access to information and improve citizens' ability to exercise their rights. The Portal provides quick and direct access to information on public consultations, relations with interest representatives, expert groups, recipients of EU funds, access to documents and more.

5.4. Transparency Register

The European Parliament and the Commission jointly operate the ‘Transparency Register’. This tool provides information about organisations engaged in activities aimed at influencing the law-making and formulation or implementation of policy processes of the EU institutions. It sheds light on which interests are being pursued, by whom and with which resources. Entities that register commit to abide, in their relations with the EU institutions, by a Code of Conduct which sets out certain ethical principles.

The Commission boosted transparency further by publishing on Europa, from 1 December 2014, information on meetings held between Commissioners and their closest advisers and interest representatives. The related rule of meeting only those lobbyists that are registered in the Transparency Register applies as well.

5.5. Financial Transparency System

The Financial Transparency System (FTS) is part of the European Transparency Initiative. Since the inception of this database in 2008, the presentation of data on recipients of EU funds directly managed by the Commission has been improved and harmonised.

5.6. Facilitating access to documents

The Commission also provides wide access to documents held by it, both by making a wide range of documents available online, and by responding to specific requests filed by citizens in accordance with Regulation 1049/2001 on public access to European Parliament, Council and Commission documents.

Since the entry into force of that Regulation, there has been a steady increase in the number of access requests. A large majority of such requests result in the full or partial release of the documents requested.

In parallel, the Commission makes a large amount of information available on its various websites. This includes information on Commissioners’ mission costs, which, since

37 SEC(2005)1300 Communication to the Commission from the President, Ms Wallström, Mr Kallas, Ms Hübner and Ms Fischer Boel. Proposing the launch of a European Transparency Initiative.
February 2018, has been made available on a two-monthly basis, in accordance with the revised Code of Conduct for Commissioners.