



COMMISSION OF THE EUROPEAN COMMUNITIES

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**COMMUNICATION FROM THE COMMISSION
TO THE EUROPEAN PARLIAMENT, THE COUNCIL AND THE COURT OF
AUDITORS**

**An action plan to strengthen the Commission's supervisory role
under shared management of structural actions**

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1. The Commission gives the highest priority to the exercise of its responsibilities for implementing the budget under Article 274 of the EC Treaty. In January 2005, it made it a strategic objective to strive for a positive statement of assurance (DAS) from the European Court of Auditors (“the Court”) and in January 2006, it adopted an Action Plan towards an Integrated Internal Control Framework in order to make progress toward this objective. The conclusions of the Court for 2006 show that the percentage of the Community budget subject to a positive assurance is growing. However, the Court also found that the area of structural actions has not shown improvements. This is an area subject to shared management between the Commission and the Member States.

Structural actions represent one of the core policies of the Union. They symbolise the central place of solidarity amongst the values of the Union. They promote economic development and social cohesion, boosting prosperity in the Union as a whole. The new programming period has shown how they can be adapted to the new demands of the Lisbon strategy for growth and jobs. It is therefore essential that the resources devoted to structural actions should be used to best effect, and that the principles of sound financial management are rigorously applied.

2. In accordance with Article 53b of the Financial Regulation¹, the Member States have the primary responsibility to take all measures necessary to ensure that the funds are used in accordance with the applicable rules and principles and to protect the Communities' financial interests.

In particular, they are required to put in place an effective and efficient internal control system according to the provisions of Article 28a of the Financial Regulation. In addition, sector-specific legislation makes the Member States responsible for preventing, detecting and correcting irregularities, as well as setting out detailed requirements in relation to the management and control systems.

The Commission's responsibilities for the Community budget are not limited to expenditure under its direct authority. It must also verify that the Member States are carrying out the tasks entrusted to them correctly. Where it concludes that this is not the case, it must use the available mechanisms to suspend payments and apply financial corrections.

¹ Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities (OJ L 248, 16.9.2002, p. 1).

3. The European Court of Auditors in its Annual report for 2006 concluded that:
 - there was a high level of errors in expenditure declared by the Member States and reimbursed by the Commission in 2006;
 - that the management and control systems of Member States are ineffective or moderately effective; and
 - that the systems of the Commission to mitigate these weaknesses are only moderately effective.
4. Over the last five years, the Commission has put in place a series of steps with the goal of improving its supervisory role for structural actions. The measures taken include:
 - an increased number and coverage of audits, reaching 61% of programmes expenditure for ERDF and 83% for ESF, as well as the establishment of a joint audit strategy document every year since 2005;
 - the application of "action plan" procedures to monitor the remedial actions for systemic weaknesses and execution of financial corrections by Member States;
 - the suspension of interim payments; and
 - the adoption of financial correction decisions.

However, the findings of the Court show that these measures have not yet been sufficient to have a measurable impact on the reliability of the certification of expenditure by Member States to the Commission. The Court has continued to find high error rates concerning expenditure at project level and systems deficiencies, especially at the primary control level in the Member States.

5. Some of the errors identified by the Court may be remedied by recoveries and other measures taken downstream in the course of programme or project implementation and at closure. The Commission is stepping up its action to secure reliable information from Member States on financial corrections and recoveries. It is ready to use not only suspensions of payments, but also other measures such as infringement proceedings if progress is not made. However, the application of recoveries does not diminish the importance of the "ex ante" controls in Member States. This is why the Commission is also working with the Member States to improve the primary controls at national level. It is indeed unacceptable that interim reimbursements are subject to the high level of error identified by the Court.
6. The Commission has also taken steps to apply the lessons learned from the financial management of past structural actions to the 2007-2013 programming period. This includes strengthened control and audit arrangements in the new legislation, substantial efforts to give guidance to national authorities, and action to confirm that the set-up of the systems for the new programmes is fully compliant with requirements on internal control. This will provide a more

reliable basis for obtaining assurance on the effectiveness of the national systems.

7. While these new arrangements come on stream, the Commission is determined to continue efforts to ensure that the remaining payments up to the closure of the 2000-06 programmes in 2010 are legal and regular. The process for the closure of the programmes must provide assurance on the legality and regularity of expenditure for the whole period.
8. The Court has made recommendations in the 2006 Annual Report for improving the effectiveness of the Commission's supervisory role for structural actions. The Commission is adopting the attached Action Plan to address these recommendations, in order to:
 - improve the effectiveness of the Commission's supervision of the management and control systems in the Member States;
 - increase the impact of the audit activity;
 - ensure that there is complete, transparent, reliable and consistent reporting on financial corrections and recoveries;
 - take the necessary decisions on suspension of payments and financial corrections within a clear timeframe.
9. The Action Plan is designed to complement the current high level of audit activity under the joint audit strategy for structural actions and continuing relevant actions under the Commission Action Plan toward the Integrated Internal Control Framework.

The Action Plan sets out specific actions to be taken in 2008 in 10 areas to implement the recommendations of the Court and increase the effectiveness and impact of the Commission's supervision of the management and control systems in the Member States. For each action there is an identified output and deadline so that implementation can be monitored. The Commission will monitor the progress of the Action Plan during the course of 2008 and be ready to report on its progress.

A reduction in the level of error found by the Court depends on a partnership between the Commission and the Member States to make consistent improvements in the capacity of Member States' internal control systems to prevent errors. The Action Plan will mean that the Commission will contribute to these efforts through stronger supervision, more efficient correction mechanisms, and improved information. The Commission considers that the result should be a real step forward in efforts to achieve improvements and mitigate the risk of continued failures in some Member States.

ANNEX

ACTION PLAN to strengthen the Commission's supervisory role for structural actions

1. Object of the Action Plan

- 1.1. The object of the action plan is to strengthen the Commission's supervisory role and thus bring the Member States to reduce the level of error in expenditure claims certified to the Commission for co-financing under structural actions or, where they fail to do so, to prevent loss to the Community budget by financial corrections.
- 1.2. Whilst the initial deadlines are not later than end 2008, certain actions will be ongoing. It will therefore be necessary to review and update the action plan at the end of 2008. The execution of the action plan will be monitored quarterly during the year.
- 1.3. The Commission will report to the European Parliament on a quarterly basis starting end March 2008.

2. Implementing the recommendations of the Court

- 2.1. The object will be achieved by implementing the recommendations of the European Court of Auditors as set out in its 2006 Annual Report (AR), its Opinion No 6/2007, and during the discharge procedure. The recommendations of the Court are:
 - (a) to ensure provision of complete transparent and reliable information on financial corrections and recoveries (AR § 2.24 and 2.26),
 - (b) to improve the quality of the DGs' Annual Activity Reports (AR § 2.37a),
 - (c) to implement the Commission's Action Plan on the Integrated Internal Control Framework (AR § 2.37b),
 - (d) to improve the effectiveness of the Commission's supervisory controls to mitigate the risk of failure in Member States' systems (AR § 2.37c),
 - (e) to ensure sound closure procedures for the 2000-2006 programming period (AR § 3.18),
 - (f) to focus on improving the primary controls at management level in the Member States (AR § 6.43),
 - (g) to reinforce the feedback mechanisms in the control system in the Structural Funds (AR § 6.44),
 - (h) to encourage and facilitate the use of simplifications for the 2007-2013 period (AR § 6.45),

- (i) to ensure full implementation of the legal framework for the programming period 2007-2013 (Discharge hearing COCOBU 22.1.2008),
- (j) to increase the impact of Commission audit activity by better use of suspensions and financial corrections (Meeting ECA and Commission 1.2.2008),
- (k) to undertake adequate supervision of the annual summaries to ensure that they are consistent, comparable and useful (Opinion No 6/2007 § III).

2.2. The Commission will also follow up every substantive error found by the Court in order to ensure that appropriate financial corrections have been effected.

3. Actions to correct system deficiencies under the DGs' audit strategies

The audit work of the Commission is a key element in the exercise of its supervisory role. DG REGIO and DG EMPL carry out their audit activity in the framework of a 3 year audit strategy which is updated annually and sets out the objectives and priorities on the basis of the risks identified, and presents the audit work planned.

For the 2000-2006 programming period, by the end of 2007 audit coverage for the ERDF was approximately 61% of the total amount of Community funding decided for the programmes, and for the ESF 83%.

The two DGs have planned audit work for 2008 relating to the 2000-2006 programming period which focuses on:

- audits of high risk management bodies (40 ERDF; 15 ESF),
- review of winding-up bodies in preparation for programme closure (30 ERDF; 6 ESF).

Serious system deficiencies detected by audits in previous years are being followed up through action plans to be implemented by the Member States concerned. For the ERDF there are 10 action plans covering 80 programmes and for the ESF 17 action plans covering 20 programmes. By the end of 2008, either the Commission's services will have concluded that those Member States have successfully completed the actions, or a procedure leading to financial corrections will have been launched.

As regards on-going procedures, the one outstanding procedure for financial corrections for the 2000-2006 programming period will be concluded in the first quarter of 2008. 19 further procedures for suspension of interim payments leading to financial correction have been launched (6 ERDF, 8 ESF, 5 CF). These procedures shall be finalised by the end of 2008.

4. Preparation for programme closure

The follow up of the ex post audits on the closure of programmes of the 1994-1999 programming period² is being concluded, and financial correction decisions will be adopted for an amount estimated at not less than € 500 million. The Commission's services have already begun preparation for the closure of 2000-2006 programmes. Guidelines for the Member States were adopted by the Commission in 2006. The DGs launched an audit enquiry targeting the winding-up bodies responsible for issuing declarations on legality and regularity of expenditure in 2007. Audits of 19 winding up bodies have been completed. In addition, the DGs plan to:

- draw up internal procedures to ensure a rigorous examination of the closure documents submitted by Member States and the correct treatment of irregularities;
- conclude the audit enquiry on winding-up bodies through the 36 additional audits referred to above;
- raise awareness of the Member States on preparation for closure.

5. Completion of the Commission's Action Plan toward an Integrated Internal Control Framework

The two DGs have been actively involved in the implementation of the Commission Action Plan toward an Integrated Internal Control Framework.

In 2008 the following actions will be completed.

Action 10 – estimating the cost of controls for the ERDF – on-the-spot visits have taken place in 10 Member States to verify the reasonableness of the data submitted. The analysis is underway and will be finalised by May 2008. A Communication will be prepared for October 2008 to bring together the results of this evaluation of the costs and benefits and the analysis of residual risk, which DGs for whose policy areas the Court's assessment is "red" are required to include in their 2007 annual activity reports.

Action 11N - reliability of national monitoring and reporting systems - an annex on financial corrections and recoveries was included for the first time in the 2006 Annual Report on the Structural Funds issued on October 2007 which presented a summary of the data received from Member States on recoveries and withdrawals. Audits of a sample of Member States will be undertaken to verify the completeness and accuracy of the data.

Action 15- contracts of confidence – contracts of confidence have been signed with Denmark, Portugal, Slovenia and Estonia in 2008, to add to those signed previously with UK, (Wales) and Austria. Additional efforts will be made by the

² The deadline for the submission of final payment claims was 31 March 2003.

DGs to conclude further such contracts where the Member States fulfil the conditions. For example, two further contracts are in preparation for decision in the autumn. The contracts relate to the 2000-2006 programming period. The fundamental concept of the contract of confidence is integrated into the Community legislation for the Structural Funds programming period 2007-2013.

In addition the following actions are seen as ongoing and will give rise to additional outputs:

Action 9 – coordination and sharing of audit and control results – the database of common bodies responsible for the management and controls systems of the Structural Funds was completed in 2007 with the winding-up bodies. This database will be used to share results of the audit enquiry on the review of the work of the winding up bodies in 2008.

Action 14b – guidance to Member States - six guidance notes were discussed with Member States during 2007. The two guidance notes for the audit authorities will be finalised in 2008 and a further two guidance notes, on management verifications and the certification function, will be revised to take into account the provisions of the new regulations.

Action 16 – coordinating audit standards – the Structural Funds audit manual is currently being updated and will be completed in 2008, and the guidance documents on sampling and systems assessment methodology will be finalised.

6. Preventive actions for the Structural Funds programming period 2007-2013

For the programming period 2007-2013, the Commission's services undertook actions in 2007 to ensure that detailed guidance was given to the Member States on the key procedures of the compliance assessment process, and the approval of the audit strategy. The Commission's services gave additional guidance and training to audit authorities in relation to systems audits and project audits. In 2008 the Commission's services will ensure effective scrutiny of the compliance assessment documents and the audit strategy documents applying the common procedures and checklists which have been put in place in order to obtain assurance that Member States have set up compliant management and control systems. The Commission's services will complete further guidance documents as mentioned in point 5, namely:

- audit manual for Structural Funds,
- guidance on first-level verifications by managing authorities,
- guidance on the certification function.

They will also take actions to promote use of the simplified procedures made possible by the Community regulations, and to provide clear guidance on eligibility issues.

7. Additional new actions

The Commission's services have since the publication of the Court's Annual Report for 2006 launched a series of additional actions in response to the Court's recommendations which will be completed in 2008. They concern in particular measures to ensure more rapid adoption of decisions for suspension of payments and financial corrections when serious systems weaknesses are detected, measures to improve the quality of reporting on recoveries and financial corrections both at the initiative of Member States and of the Commission, measures to improve further the reporting in the Annual Activity Reports, and measures to maximise the value which can be obtained from the annual summaries required from Member States under Article 53b(3) of the Financial Regulation.

8. Impact of the action plan

8.1. The Commission has established this action plan in order to address systematically the 11 recommendations of the Court. It incorporates the relevant actions referred to above including the additional new actions mentioned, and specifies outputs and indicators, together with deadlines, so that its implementation can be monitored.

8.2. Achieving a reduction in the error rate at the level of interim reimbursements will be a steady but lengthy process. It is only when the Member States' systems are consistently effective in preventing errors in the first place, prior to certification of expenditure to the Commission, that the errors found by the Court will reduce. For the 2000-2006 programming period, errors already made will continue to affect payments which will be made up to 2010. Correction of these errors will depend on the effectiveness of the post-payment controls which the Member States are required to undertake, and on the control and audit work of the Commission. Actions in the action plan should increase the effectiveness of these ex post controls, in particular in relation to those Member States' systems already identified as failing, and provide better monitoring indicators. For the 2007-2013 programming period, the action plan should ensure that the Member States' systems function effectively from the beginning of programme implementation, or, if not, that deficiencies are detected early so that corrective measures can be applied.

Action Plan

| | Action | ECA recommendation addressed | Objective | Chef de file | Output/Indicator | Deadline |
|---|--|--|---|---------------------|--|------------|
| 1. Actions under the Structural Actions joint audit strategy for 2000-2006 | | | | | | |
| 1.1. | Carry out targeted audits on high-risk management bodies (2000-06) | <p>Focus on improving the primary controls at management level in the Member States</p> <p>Improve effectiveness of Commission's supervisory controls to mitigate the risk of failure in Member States systems</p> | Focus audit resources on high-risk bodies so as to reduce potential residual risk | DG REGIO DG EMPL | <p>Execution of planned audit missions:</p> <p>ERDF/CF 40: BE, BG, CZ, ES (2), F (3), FI, GR (3), IRL (2), IT (6), LT, LV, NL, PL (2), PT (2), RO, SK (2), UK (2), INTERREG (8)</p> <p>ESF 15: AT, DE, ES (3), HU, IT, LV, PT (3), SI, SK, UK (2)</p> <p>Audit results within 3 months of audit mission.</p> <p>Effective result – sound basis for corrective action or reasonable assurance that action</p> | 31.12.2008 |

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| | | | | | not needed | |
| 1.2. | Complete the follow-up of the Member States' implementation of 27 current action plans to remedy serious deficiencies in those Member States' management and control systems | Focus on improving the primary controls at management level in the Member States Improve effectiveness of Commission's supervisory controls to mitigate the risk of failure in Member States systems | Obtain reasonable assurance that the management and control systems in the Member States function effectively and safeguard the Community budget | DG REGIO DG EMPL | 27 action plans (ERDF 10/ESF 17) in 16 Member States concluded with effective result ERDF: ES, FI, IT, NL, PL, PT, UK (2), INTERREG (2) ESF: AT (2), BE, DE (3), ES (2), F (3), IT (2), LV, NL, SK, UK | 31.12.2008 |
| 1.3. | Bring to conclusion the 20 suspension and financial correction procedures currently underway for 2000-2006 and the 34 financial correction procedures from closure audits for 1994-1999 | Increase the impact of Commission audit activity through more effective use of suspension and financial correction procedures | Obtain reasonable assurance that the management and control systems in the Member States function effectively and safeguard the Community budget | DG REGIO DG EMPL | Suspension/financial correction procedures concluded by corrections agreed by the Member State or a Commission decision within 24-month deadline (see 8.2 below) ERDF 32 programmes: ES (23), IT, PT (3), INTERREG (3), UK (2) ESF 12 programmes: | 31.12.2008 |

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| | | | | | DE, ES (2), F (2), IT (2), LU (2), LV, NL, UK CF 60 projects: BG (3), ES (14), GR (37), PT (3), LT (3) | |
| 1.4. | Follow up the individual substantive error cases for DAS 2006 together with any systemic implications | Improve effectiveness of Commission's supervisory controls to mitigate the risk of failure in Member States systems | Obtain assurance that required corrections have been made to protect the Community budget | DG REGIO DG EMPL | Final position taken by DGs on 73 cases Where Member State has not made required correction, a financial correction procedure has been launched | 30.9.2008 |
| 2. Main ongoing actions under the Action Plan towards an Integrated Internal Control Framework | | | | | | |
| 2.1. | Action 9 – Construct effective tools for sharing audit and control results and promote the single audit approach | Reinforce the feedback mechanisms in the control systems in the Structural Funds | Coordinate audit and control work in order to maximise its effectiveness | DG REGIO DG EMPL | Sharing of audit results under enquiry to review work of winding-up bodies (see 3.1 below) | 31.12.2008 |
| 2.2. | Action 10 - Conduct an initial estimation and analysis of in the costs of controls for the ERDF | Implement the Commission's action plan on the Integrated Internal Control Framework in accordance with Court Opinion No 2/2004 | Provide a basis for establishing a balance between the costs and benefits of controls | DG REGIO | Report on analysis of data received from Member States | 31.5.2008 |

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| 2.3. | Action 11N - examine the reliability of national monitoring and reporting systems for recoveries and financial corrections | Ensure provision of complete, transparent and reliable information on financial corrections and recoveries | Improve reporting on financial corrections (see action 6 below) | DG REGIO DG EMPL | Verifications in 10 Member States to be selected after analysis of data to be supplied by 31.3.2008 (5 MS in first half year) Effective result – improved assessment by Court | 31.12.2008 |
| 2.4. | Action 14b - provide guidelines for beneficiaries and/or intermediate levels on controls and responsibilities in the control chain | Encourage and facilitate the use of simplifications for the 2007-13 period | To prevent errors and reduce the risk to the Community budget (see actions 4 and 5.2 below) | DG REGIO DG EMPL | Updated guidance notes on: management verifications certification function | 30.6.2008 |
| 2.5. | Action 15 - promote the 'Contracts of Confidence' initiative for Structural Funds (enabling Commission to place reliance on national audit work for 2000-06 period and creating basis for similar cooperation in 2007-13) | Improve the effectiveness of the Commission's supervisory controls to mitigate the risk of failure in Member States' systems | Improve the coordination of audit work so as to be able to place reliance on the work of the national audit bodies | DG REGIO | Target - Signing of contracts of confidence with 2 more Member States which demonstrate their suitability (6 signed as at 19 February 2008 for ERDF and Cohesion Fund) | 30.9.2008 |

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| 2.6. | Action 16 - coordinate audit standards, error rate reporting, etc. for Structural Funds | Improve the effectiveness of the Commission's supervisory controls to mitigate the risk of failure in Member States' systems | Improve the integrated internal control framework by standardising audit methods | DG REGIO DG EMPL | Sampling guide Systems assessment methodology Completion of revised Structural Funds audit manual | 30.4.2008 30.4.2008 31.12.2008 |
| 3. Preventive actions for closure of 2000-2006 programmes and projects | | | | | | |
| 3.1. | Complete the audit enquiry on the review of the work of the winding-up bodies (2000-06) | Ensure sound closure procedures | Preventive control to ensure the closure process will be effective in detecting irregular expenditure | DG REGIO DG EMPL | Execution of planned audit missions: ERDF/CF 30: BE, BG, CY, CZ (2), DE (5), ES (2), FI, GR (2), HU, IT (6), LT, NL, PL (2), RO, UK (3) ³ ESF 6: EE, FI, HU, IRL, PT, SV Effective result – sound basis for corrective action or reasonable assurance that action not needed | 31.12.2008 |

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8 missions are combined with missions under action 1.1.

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| 3.2. | Finalise the internal procedures to ensure rigorous examination of closure documents | Ensure sound closure procedures | Ensure proper preparation for the closure of programmes within the Commission services | DG REGIO DG EMPL | New procedures finalised | 30.6.2008 |
| 3.3. | Raise awareness of Member States of the closure guidelines issued by the Commission in 2006 | Ensure sound closure procedures | Ensure proper preparation for the closure of programmes within the Member States | DG REGIO | Seminar for managing authorities Agenda point for annual meetings with managing authorities | 30.6.2008 31.12.2008 |
| 4. Preventive actions for the 2007-13 programming period | | | | | | |
| 4.1. | Review of compliance assessment reports and opinions | Ensure full implementation of the legal framework for the programming period 2007-13 | To ensure that effective management and control systems are in place early on in the period | DG REGIO DG EMPL | Desk review for approximately 250 systems, with fact-finding missions where necessary Effective result – low error rate in interim payment claims subsequently declared | 31.12.2008 |
| 4.2. | Review of national audit strategies | Ensure full implementation of the legal framework for the programming period 2007-13 | To ensure national audit strategies compliant with the regulations | DG REGIO DG EMPL | Desk review of approximately 200 audit strategies | 31.12.2008 |

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| 4.3. | Actions on simplification: | Encourage and facilitate the use of simplifications for the programming period 2007-13 | To prevent errors and reduce the risk to the Community budget | | | |
| | a) Note on partial closure under Article 88 of Regulation (EC) No 1083/2006 followed up in annual meetings with managing authorities | | | DG REGIO DG EMPL | Guidance note and follow up meetings Effective result – majority of Member States use partial closure | 31.12.2008 |
| | b) Note on use of flat rates for indirect costs (ESF only) followed up in annual meetings with managing authorities | | | DG EMPL | Guidance note and follow up meetings Effective result – majority of Member States (18/27) use flat rates – reduced errors | 31.12.2008 (Note finalised in 9.2007) |
| 4.4. | Review and provide clarification on eligibility issues for 2007-13: | Ensure full implementation of the legal framework for the programming period 2007-13 | Ensure that the regulations are clear to the national authorities applying them and to the beneficiaries | | | |
| | a) Compilation of Community eligibility rules for 2007-13 period as single brochure | | | DG REGIO DG EMPL | Brochure | 30.9.2008 |
| | b) Note on application of Article | | | DG | Guidance note | 30.6.2008 |

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| | 55 of Regulation (EC) No 1083/2006 – revenue-generating projects | | | REGIO DG EMPL | Effective result – reduced errors concerning revenue-generating projects | |
| | c) Note on application of State aid rules | | | DG REGIO DG EMPL | Guidance note Effective result – reduced errors concerning State aid rules | 30.6.2008 |
| 4.5. | Raise awareness of public procurement rules | Focus on improving the primary controls at management level in the Member States | To reduce the errors from this source in the use of the Structural and Cohesion Funds | DG REGIO DG EMPL | Organise 2 workshops for Member State authorities to raise awareness of application of public procurement rules to Structural Actions | 31.12.2008 |
| 5. Actions to improve primary controls at national level | | | | | | |
| 5.1. | Organise seminar for managing authorities and certifying authorities and follow up in annual meetings with managing authorities | Focus on improving the primary controls at management level in the Member States | Address the risk of weak primary controls | DG REGIO DG EMPL | Seminar for approximately 300 national participants | 30.6.2008 |

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| 5.2. | Update guidance on good practice for primary controls and the certification function for 2007-2013 | Focus on improving the primary controls at management level in the Member States Reinforce feedback mechanisms in the control system | Address the risk of weak primary controls and certification function | DG REGIO DG EMPL | Guidance documents finalised and distributed (see 2.4 above) | 30.6.2008 |
| 5.3. | Provide self-assessment tools for managing authorities on compliance | Focus on improving the primary controls at management level in the Member States | Address the risk of weak primary controls | DG REGIO DG EMPL | Self-assessment application distributed | 30.6.2008 |
| 6. Actions to improve reporting on financial corrections by Member States | | | | | | |
| 6.1. | Follow up on data reported to complete gaps and correct inaccuracies | Improve provision of complete, transparent and reliable information on financial corrections and recoveries | Improve reporting on financial corrections and recoveries | DG REGIO DG EMPL | Analysis of information received by 31 March 2008 and follow up letter sent Improved assessment by Court | 30.6.2008 |
| 6.2. | Carry out on the spot verifications of a sample of Member States' data | Improve provision of complete, transparent and reliable information on financial corrections and recoveries | Verify accuracy of data reported | DG REGIO DG EMPL | Verifications in 10 Member States to be selected after analysis of data to be supplied by 31.3.2008 (5 MS in first half year) (see 2.3. above) | 31.12.2008 |

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| | | | | | Improved assessment by Court | |
| 7. Actions to improve reporting by Commission on impact of audit activity | | | | | | |
| 7.1. | Improve systems for recording and reporting on follow up of audit recommendations | <p>Improve effectiveness of Commission's supervisory controls to mitigate the risk of failure in Member States' systems</p> <p>Reinforce feedback mechanisms in the control system</p> | Improve monitoring processes and facilitate sharing of audit results | DG REGIO DG EMPL | <p>Modification of IT applications and procedures: SYSAUDIT in DG REGIO; full implementation of A-REP in DG EMPL</p> <p>Improved assessment by Court</p> | <p>30.9.2008</p> <p>31.3.2008</p> |
| 7.2. | Improve systems for recording and reporting on corrections resulting from Commission control and audit activity | Improve provision of complete, transparent and reliable information on financial corrections and recoveries | Improve information on recoveries and financial corrections as a partial indicator of the impact of the Commission's audit activity | DG REGIO DG EMPL | <p>Modification of IT applications and procedures</p> <p>Quarterly reporting to DG BUDG</p> <p>Improved assessment by Court</p> | 30.9.2008 |

| 8. Actions to increase impact of Commission audit activity | | | | | | |
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| 8.1. | Establish and implement policy of suspending payments by Commission decision as soon as possible following detection of serious weakness in national systems | Increase the impact of the Commission's audit activity through more effective use of suspension and financial correction procedures | Obtain reasonable assurance that the management and control systems in the Member States function effectively and safeguard the Community budget | DG REGIO DG EMPL | Instructions from Directors-General, revised procedures and monitoring report Effective result: target of suspension decision within 6 months of final position on audit findings | 30.4.2008 |
| 8.2. | Modify internal procedures for suspension and financial corrections to speed up application | Increase the impact of the Commission's audit activity through more effective use of suspension and financial correction procedures | Obtain reasonable assurance that the management and control systems in the Member States function effectively and safeguard the Community budget | DG REGIO DG EMPL | Revised procedures and monitoring report Effective result – achievement of target 24 months from audit to financial correction decision where decision required | 30.4.2008 |
| 9. Actions to improve assurance provided by AAR | | | | | | |
| 9.1. | Carry out the following actions in relation to preparation of Annual Activity Reports: | Improve the quality of DGs' AAR | Improve the transparency and continuity of reporting on the assessment of Member States' systems in order to better monitor progress | DG REGIO DG EMPL | AAR 2007 Improved assessment by Court | 31.3.2008 |

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| | a) Provide information on follow-up of all systems for which material systemic deficiencies were detected in 2006 | | | | | |
| | b) Report on the execution of action plans implemented by Member States to correct deficiencies | | | | | |
| | c) Report on decisions to suspend interim payments, other precautionary actions by AOSD in respect of interim payments, financial corrections made by Member States at request of Commission, and financial correction decisions adopted by the Commission | | | | | |
| | d) Provide detailed justification for absence of reservation where material systemic weaknesses are identified | | | | | |
| | e) Report on follow-up of previous recommendations of Court | | | | | |

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| 10. | Actions to maximise value of annual summaries under Article 53b of the Financial Regulation | | | | | |
| | Analyse summaries received, include results in AAR, and take action in respect of Member States not complying with obligations | To undertake adequate supervision of the annual summaries to ensure that they are consistent, comparable and useful | Improve level of assurance obtained from Member States | DG REGIO DG EMPL | Results reported in AAR Effective measures against non-compliant Member States | 31.3.2008 31.12.2008 |