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REFORMING THE COMMISSION

ACTION PLAN

(presented by the Commission)

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CHAPTER II – A CULTURE BASED ON SERVICE

I - STANDARDS OF BEHAVIOUR IN PUBLIC LIFE

1. OBJECTIVE

To support officials in maintaining high standards of ethical behaviour.

Standards in public life are not static. The need for an explicit ethical framework is reinforced by the move from a rules-based culture to one focused more on results since a number of grey areas can remain where clear guidance is needed. In the context of the current administrative reform the additional challenges that a clear and workable framework for ethics will have to address are greater decentralisation and delegation of authority, new forms of service delivery and a greater focus on the interests of users.

All this puts greater emphasis on accountability. The purpose of action in this area is to supply a general framework to support officials in dealing with the more complex ethical issues involved in new ways of delivering public services and new management approach, and to prevent corruption.

2. ACTION RECENTLY TAKEN

A Code of Conduct for Commissioners and a Code of Conduct governing relations between Commissioners and Departments were adopted by the Commission in the second half of 1999.

3. NEW ACTION TO BE IMPLEMENTED

Action 1 *A Committee on Standards in Public Life*

The Commission will propose that such a Committee be established via an Interinstitutional Agreement. The Committee's role will be to supervise the general Code of Conduct applicable to the European Institutions, to monitor the implementation of specific Codes of Conducts for each Institution, and to provide advice on ethics and standards of conduct in the European Institutions.

4. LEAD SERVICE(S)

Action 1: SG, DG Admin

1. TIMING

Action 1: June 2000 - Commission proposal; December 2000 -target date for Inter-institutional Agreement

CHAPTER II – A CULTURE BASED ON SERVICE

II -A CODE OF CONDUCT FOR GOOD ADMINISTRATIVE BEHAVIOUR

1. OBJECTIVE

To establish guidelines for officials concerning the relations with the public following the need for a Code of Conduct in this area expressed by the Ombudsman in July 1999.

2. ACTION RECENTLY TAKEN

Preparation for a Code of Conduct for staff of the European Commission dates back to Autumn 1997. A first draft code was made available to staff on the Commission's intranet in April 1998.

3. NEW ACTION TO BE IMPLEMENTED

Action 2: A Code of Conduct for good administrative behaviour

The Code applies to Staff employed under the Staff Regulations and the Conditions of Employment of Other Servants of the European Communities. It establishes guidelines for good administrative behaviour in the relations with the public

4. LEAD SERVICE(S)

Action 2: SG, Legal Service

5. TIMING

Action 2: 12 January 2000

CHAPTER II – A CULTURE BASED ON SERVICE

III - PUBLIC ACCESS TO DOCUMENTS OF COMMUNITY INSTITUTIONS

1. OBJECTIVE

To implement the right of access of citizens and residents in the European Union to documents of the three institutions. It is proposed in the framework of art. 255 of the Amsterdam Treaty.

2. ACTION RECENTLY TAKEN

- Code of Conduct concerning public access to Commission and Council documents implementing declaration No. 17 attached to the Maastricht Treaty. Adopted on 6.12.1993. The European Parliament adopted a virtually identical Code of Conduct on 25.9.1999.

3. NEW ACTION TO BE IMPLEMENTED

Action 3: Proposal for a Regulation on public access to European parliament, Council and Commission documents

The draft proposal covers incoming documents as well as documents produced by the three institutions and it will represent best practice in transparency.

4. LEAD SERVICE(S)

Action 3: SG, Legal Service

5. TIMING

Action 3: Adoption by the Commission: end of January 2000. According to art. 255.2 of the Treaty of Amsterdam this Regulation will have to be adopted by the Council according to the co-decision procedure before 1.5.2001.

CHAPTER II – A CULTURE BASED ON SERVICE

IV - USE OF WEB BASED TECHNOLOGY

1. OBJECTIVES

In 1995, “Europa” was established as the single Internet site of the European Commission. The Commission uses this site to provide information to and communicate with European citizens.

The growth of “Europa” has been dramatic and recent data shows an impressive level of consultations: 100 million hits were recorded in November 1999. “Europa” has become the main information site on EU affairs in the world. Europa Plus, the internal Commission’s intranet site, is also widely used by Commission officials and those of the other EU Institutions.

It is foreseen that the use of the Internet will grow dramatically over the coming years. At the same time, development and introduction of new technologies will have a major impact upon the way in which the internet is used.

Web-based technology constitutes the most efficient and cost-effective manner of communicating with citizens and all stakeholders. The use of Internet and related communication technologies will therefore be developed further as the prime means of direct communication between the Commission and citizens. A key element of this will be the allocation of an appropriate level of resources. Until now, the Commission has developed and managed its web-based communication with minimal levels of human and financial resources. For this development to be sustainable, the Commission must, therefore, rapidly formulate a strategy to ensure that it can cope with technological changes and increased demand both in quantitative and qualitative terms

2. NEW ACTION TO BE IMPLEMENTED

Action 4: Technological choices

The Commission must continually monitor technological development in order to be able to make informed choices and to be at the forefront of web-based and other communication tools.

Action 5: Meeting users’ needs

In order properly to assess the level of equipment of consumers, their needs and their comments, the Commission should obtain regular feedback from users. The data gathered will enable the Commission to direct its effort so as to meet users’ requirements (multi-lingual, access for disabled people, presentation of information, a rapid reply system, etc.).

Action 6: Decision-making structures

The Commission should adopt clear and simple mechanisms allowing for the taking of co-ordinated professional decisions in an appropriate time frame.

3. LEAD SERVICE(S)

Action 4: DG Admin, supported by INFISO and Press Service

Action 5: DG Admin, supported by OPOCE, INFISO and Press Service

Action 6: DG Admin, supported by OPOCE, INFISO and Press Service

4. TIMING

Action 4: July 2000

Action 5: December 2000

Action 6: December 2000

CHAPTER II – A CULTURE BASED ON SERVICE

V - CODE OF CONDUCT WITH THE EUROPEAN PARLIAMENT- FRAMEWORK AGREEMENT

1. OBJECTIVE

To negotiate a new Framework Agreement providing a clear codification of relations between the new Commission and Parliament.

2. ACTION RECENTLY TAKEN

There is a Code of Conduct in force that was agreed between the previous Commission and Parliament in 1995.

3. NEW ACTION TO BE IMPLEMENTED

Negotiate a new framework agreement in line with Parliament's Resolution of 15 September 1995.

4. LEAD SERVICE(S)

SG and SJ.

5. TIMING

Negotiations are to begin soon.

CHAPTER II – A CULTURE BASED ON SERVICE

VI - SHORTENING PAYMENT DELAYS

1. OBJECTIVE

Measures to shorten payment delays to ensure that monies owed by the Commission are paid promptly, in line with good practice, and that the existing backlog is dealt with effectively.

2. NEW ACTION TO BE IMPLEMENTED

Action 7: The proposed radical overhaul of the financial management system would significantly streamline procedures and allow for shorter payment delays. The actions taken are set out in Section V of this action plan. It is estimated that the abolition of the ex-ante visa would lead to a major time saving.

3. LEAD SERVICES

See Chapter V.

4. TIMING

See Chapter V.

CHAPTER III – PRIORITY SETTING, ALLOCATION AND EFFICIENT USE OF RESOURCES

VII - ACTIVITY BASED MANAGEMENT (ABM)

1. OBJECTIVE

Activity Based Management (ABM) is the covering notion for the new programming, budgeting, management and reporting methods adopted by the Commission. Activity Based Management encompasses both prioritisation and resource allocation at the level of the Commission as a whole and general principles for management practice at the level of departments.

In future, planning and programming must be seen as organising resources to carry out activities that pursue clearly defined policy objectives and priorities. More specifically, built on the notion of management by results, Activity Based Management (ABM) aims to (1) articulate strategic planning with the operational programming of activities and the monitoring and evaluation of their implementation, (2) increase cost awareness through integrated decisions on priorities, objectives, activities and allocation of human, administrative and financial resources, and (3) develop performance management by emphasising results rather than input control.

Activity Based Management is a policy-driven integrated strategic planning and programming (SPP) framework comprising five building blocks: strategic planning and budgeting, operational programming, and management, monitoring and reporting, evaluation, internal auditing.

a) Strategic planning and budgeting

Strategic planning will take the form of 5-year Commission Priorities (reviewed annually) and of an Annual Policy Strategy (APS) comprising policy objectives, the strategic activities designed to pursue the objectives set out for each policy and the corresponding human, administrative and financial resources allocated through an activity-based budget (ABB) process. Policy priorities and budgetary orientations will provide the basis for the preparation of the Preliminary Draft Budget (PDB) and the Commission's decision on the allocation of human resources.

b) Operational programming and management

The Annual Policy Strategy will be translated by DGs into specific policy objectives (mission statements), operational activities (annual work programmes) and human, financial and administrative resources assigned to these activities. The Commission Work Programme covers essential operational decisions to be taken by the College in execution of the Annual Policy Strategy.

Programming of operational activities must be based on the principles of effectiveness, efficiency and economy. It comprises evaluation of expected results, clear targets, management procedure, indicators of progress, allocation of human, administrative and financial resources, financial management rules and strengthened provisions for monitoring and ex post evaluation.

c) Monitoring and reporting

Each DG will design monitoring arrangements that ensure that information, results and use of resources is regularly collected. This information guides any corrective action needed during implementation and adjustments in programming and is a prerequisite for proper evaluation. It will be aggregated into an Annual Activity Report issued by each DG to provide feedback to the strategic planning and operational programming processes for subsequent years.

An IT instrument (see action 3 below) will provide the practical means to stock and process monitoring information and to compile annual reports. Each DG will design its own detailed monitoring and reporting practices on the basis of common guidelines including the minimum content of the Annual Reports.

d) Evaluation

Policy and programme/project evaluation (ex-ante and ex-post) must become systematic within operational DGs and address effectiveness and added value in achieving results and economy and efficiency in the use of human, administrative and financial resources. DGs will have to demonstrate how evaluation results are integrated in their proposals. They must organise evaluation with regard to strategic planning and operational programming needs and regularly feed results into subsequent planning phases. Increased human and financial resources and appropriate skills are needed in the services responsible for evaluation.

Whilst the main responsibility for evaluation must remain within DGs, horizontal services may also initiate evaluations of strategic importance. Such initiatives will be included in the Commission's evaluation programme.

e) Internal Audit

The new Internal Audit Service can have a role in enhancing the consolidation and proper application of Activity Based Management through its independent appraisals of the management systems of Commission departments. In this role it can, for example, report to the Audit Progress Board on the evolution of ABM practices and on the quality of information supplied in the Annual Reports.

2. ACTION RECENTLY TAKEN

Since September 1999 the Commission has taken important decisions in order to improve strategic planning and co-ordination and adapt service structure to new needs. These include:

- the preparation of 5-year general policy priorities;
- an annual orientation debate of the Commission on policy priorities and objectives;
- the allocation of resources in accordance with the agreed priorities and objectives, and on the basis of an accurate, transparent and objective assessment of organisational requirements;
- the graded introduction of an activity-based budget (ABB), including measures to ensure:
 - budgeting and financial management takes place in an integrated manner on the basis of activities linked closely to the Commission's priorities and objectives;

- these decisions are informed through dependable monitoring, evaluation and auditing systems.
- the pilot implementation and introduction throughout the Commission by 2003 of a computerised tool on the lines of the Integrated Resource Management System (IRMS).

The general principles for evaluation decided in the context of SEM 2000 need consolidation and further precision to fully coincide with Activity Based Management.

3. NEW ACTION TO BE IMPLEMENTED

Action 8 *A new strategic planning and programming (SPP) cycle (see Figure 1 and related text on page 6 in the Consultative Document)*

Action 9 *Establishment of a Strategic Planning and Programming function*

The need for articulation of strategic planning and operational programming of activities, for integration of decisions on priorities, policy objectives, activities and allocation of resources and for emphasis on management by objectives and results calls for the creation of a new central function to prepare rigorously the Annual Policy Strategy debate, ensure a consistent follow-through and promote performance management.

This *Strategic Planning and Programming (SPP)* function will be created in the Secretariat-General. Its role will be twofold:

- a) Assisting the College in preparing decisions on priorities and allocating resources by:
 - Issuing the annual policy circular on the initiative of the President and following a Commission debate and drafting the Commission's Annual Policy Strategy (APS) and Work Programme in close co-operation with DG Budget and other DGs. The Strategic Planning and Programming function will synthesise the information available, including ex-ante and ex-post policy evaluation and human and financial resources implications and facilitate an integrated discussion between the Institutions on policies and budgetary implications. This will be done in a common format to assist the College in the setting of policy priorities and related orientation on resource allocation, whilst leaving the preparation of the Preliminary Draft Budget and the actual allocation of resources to DG Budget,
 - assessing the coherence of operational proposals made in implementation of the Work Programme,
 - assisting the Commission in the establishment of a coherent evaluation programme of the Commission with due attention to strategic planning priorities and timetable,
 - monitoring the pertinence of administrative structures and the adequacy of staff forces.
- b) Promoting performance management by ensuring co-ordinated norms and diffusion of good practice in respect of the planning and programming process, the integration of information systems (see Action 4), synthesising the result of ex-ante and ex-post evaluations carried out by other services and administrative structures.

The SG, the TFAR and DG Budget will define the internal structure of this service and will ensure that the Strategic Planning and Programming function is established in July 2000 and

endowed with adequate human, administrative and financial resources to fulfil the above duties.

The division of tasks between the Strategic Planning and Programming function, DG Budget and the Internal Audit Service in setting standards and providing advice on different aspects of Activity Based Management, particularly on monitoring, reporting and evaluation, will be defined at the same time.

Action 10 *Development of an activity-based IT instrument to support Activity Based Management*

The successful introduction of Activity Based Management will depend crucially on the development of an adequate IT instrument for stocking and transmitting management information at strategic and operational level. A prototype has been prepared under the name Integrated Resource Management System (IRMS). The scope of this instrument must now be adapted to render it the basic information vehicle of Activity Based Management. Attention will be given to ensuring that development of IRMS integrates the information systems for budget, financial and human resource management including the needs of the new organisational entities foreseen by the Reform (Strategic Planning and Programming function, the Internal Audit Service, the Central Financial Service) and responds flexibly to basic harmonised requirements across the Commission, thus avoiding proliferation of disconnected systems. The Activity Based Budget methodology will be integrated into the IRMS.

The Activity Based Management working group and the TFAR will launch this action pending the establishment of the Strategic Planning and Programming function.

Action 11 *Promote diffusion of Activity Based Management practice and 'learning by doing'*

More than establishing a planning tool, the introduction of Activity Based Management entails a profound cultural change in management practices, strong and persistent commitment at the highest level, a continual process of 'learning by doing' and effective ownership by users. Its implementation is linked to the actions proposed under the next section on 'More efficient working methods'. It is, therefore, necessary to:

- establish an awareness-raising and training programme on Activity Based Management,
- implement pilot exercises in several DGs (in conjunction with the diffusion of the IRMS instrument).

Pending the establishment of the Strategic Planning and Programming function the Activity Based Management working group will supervise this action. The diffusion of ABM (and of IRMS) will become an essential concern and responsibility of the SPP function and of the corresponding planning services within DGs.

Action 12 Strengthening of the evaluation system

On the basis of the approach described under point 1 above the Commission will decide how to strengthen the instruments and structures for evaluation at its disposal.

4. LEAD SERVICE(S)

Action 8: Activity Based Management (ABM) group, SG, DG Budget, TFAR

Action 9: ABM group, SG, DG Budget, TFAR

Action 10: ABM group, DG Markt

Action 11: ABM group, DI, SG

Action 12: DG Budget, SG, ABM group

5. TIMING

Action 8: October 2000 – adoption of guidelines to operational services;
December 2000 – 1st Strategic Planning and Programming Circular; January
2001 First Annual Activity Report by DG.

Action 9: March 2000 – Commission decision on definition of organisational structure
and resources of Strategic Planning and Programming function;

July 2000 – Commission decision on the establishment of SPP function.

Action 10: February-September 2000 – Development of IRMS instrument in line with
Activity Based Management specifications.

Action 11: April 2000 - Definition and launch of Activity Based Management training
programme and pilot actions.

Action 12: May 2000 - Commission decision on strengthening of the evaluation system.

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CHAPTER III – PRIORITY SETTING, ALLOCATION AND EFFICIENT USE OF RESOURCES

VIII - MORE EFFICIENT USE OF INTERNAL AND EXTERNAL RESOURCES

1. OBJECTIVE

The Commission services perform a variety of different activities. The Commission's origins were those of an organisation that initiated and facilitated measures to further European integration – with a heavy emphasis on regulatory activities. With the passage of time, the Commission has had to concentrate more and more on a third obligation - managing significant budgets and operational programmes. It is clear that the Commission will continue in the future to engage in all three activities, but the degree of relative emphasis placed on each of them is crucial in determining resource needs, organisational structures and management requirements.

Core activities¹ are those that the Commission exercises by virtue of its role and powers under the Treaty and are thus central to its mission. They cover politically sensitive activities such as crisis management; those where the Commission exercises a discretionary choice such as in making new legislative proposals; and those where the Commission exercises its public authority role, such as in applying the competition rules. Core activities therefore include the exercise of the right of initiative; implementation and executive activities; legislative activities including the application of the *acquis communautaire*; and representation and negotiation. These are the missions which the Commission carries out in pursuit of the Union's objectives: accordingly they may change as the Union develops.

As a general orientation, it can be said that:

- the Commission should concentrate on exercising the right of initiative to contribute to the creation of an ever closer Union among the peoples of Europe, notably in respect of the common policies, ensuring that the *acquis communautaire* is properly implemented, and taking appropriate action when it is not. These activities also comprise the role of delegated legislator, competition authority and international negotiator for the Community.
- For the execution of policies involving budgetary outlays – notably the running of programmes and actions – a choice needs to be made between carrying these activities out internally, externally, or in a mixed manner. The guiding principles for the choice should be the cost-effectiveness and accountability, in particular taking full account of such elements as 'political presence' and 'information generated' that may well vary significantly across the different options.

¹ *Activities* are established following an examination of the strategic objectives of the Commission which have been set by political decisions: Treaties; Council/Parliament; Commissioner; Director General; (*a contrario*, activities can only be deleted by a political decision at the same political level). A *task* relates to any type of work that has to be carried out as part of an activity. The DECODE list included management, co-ordination, policy development and methodology, representation and negotiation, relations with other institutions, drafting and monitoring legislation, case handling, management and execution of programmes/projects, Financial & budgetary management, statistics & economic analysis, 'on the spot' controls, evaluation, informatics, information & communication, staff management, administrative/logistic support, linguistic. See DECODE Vademecum.

The more rigorous approach to priority setting, which lies at the heart of the reform process, can contribute to a clearer identification of the Commission's core activities and provide a wider context in which to address the question of why and how far it can/shall externalise certain activities. The Commission should refuse to take on any non-core activity which it does not feel able to discharge within an acceptable margin of risk, regardless of whether the activity is to be managed in-house or externally. As stated elsewhere in the White Paper, the performance of core activities will be confined to the Commission services.

2. ACTION RECENTLY TAKEN

Guide to Technical Assistance Offices – July 1999

Decision by the Commission on general guidelines for an externalisation policy - December 1999

3. NEW ACTION TO BE IMPLEMENTED

Action 13: Publication of a proposed regulatory framework

A Communication will set out a proposed regulatory framework, an inventory of activities that could be externalised, a possible timetable for testing new arrangements by 2001, and a first assessment of the human resource implications. The Communication will review the experience to date of the different types of externalisation. It will take account, among others, of a review launched by the Director General of DG Admin into the future role of the DG which includes consideration of which of its tasks, if any, could be externalised. Finally, the issue of accountability (to whom, by whom, and for what) in the context of externalisation will be addressed.

In developing its policy on externalisation, the Commission will build on an initial classification of the main forms of devolution and outsourcing and of the activities or tasks that can and cannot be externalised.

A first broad distinction can be made between devolution and outsourcing:

Devolution can be defined as the delegation of responsibilities to public service bodies that can either be part of the Community administrative structures (including, for example, existing agencies, new implementing bodies as suggested by the EP and Committee of Independent experts) or national/transnational public bodies acting as 'intermediaries' for the implementation of certain Community policies. The extent of activities/tasks that may be devolved to these bodies can go much further than what is or could be externalised to private-sector bodies.

Outsourcing would be defined as delegation to either private sector entities, typically involving a contractual relationship. This mostly includes non-core tasks (e.g. security guards).

The externalisation policy to be developed by the Commission will cover both devolution and outsourcing. The scope for using external resources for the management and implementation of assistance programmes in the area of the external policies is also being examined by the review group working to the RELEX Commissioners.

Public service activities comprise core and non-core activities. The ability to exercise discretion (in how and whether to perform them) distinguishes public service activities from

others. Non-core public service activities are those that do not necessarily have to be done at EU level but, if they are, they must be done by the Commission. The way in which the Commission does so does not preclude a degree of externalisation provided that the form chosen enables the Commission to retain the appropriate level of control. For example, an alternative to externalisation for certain non-core tasks can be to perform them in-house with contractual staff.

The externalisation classification is threefold:

- Non-core activities that can be done more flexibly and efficiently, with a certain degree of independence from the Commission services in a strict sense: frequently, these are the technical activities linked to policy implementation which have been given to Agencies such as the European Medicines Evaluation Agency. However, in the case of either other agencies of the traditional type (e.g. the future Food Agency) or new implementing bodies, it is conceivable that the delegation of responsibilities may go beyond purely technical activities.
- Non-core activities or tasks that can be decentralised to non-Community public agencies acting as intermediaries: these are areas where the execution of clearly defined objectives is carried out in a partnership with public bodies, whether national or transnational. This is already the case, for example, in the Structural Funds and some internal policy and external aid programmes.
- Non-core activities as well as, possibly, specific tasks related to core activities that can be wholly or partly entrusted to external contractors: these are typically support tasks which can be clearly defined and for which expected outputs can be readily measured. This category covers tasks that require specific expertise not easily available in the Commission (for example, for evaluations) as well as tasks that are more efficiently externalised, such as the security guards.

Where the option of externalisation is chosen, a prime consideration will be that it is a more efficient and effective means of delivering the service or goods concerned. Other considerations will include: the respect of the rules set by the legislative and budget authority; the need to retain an appropriate level of expertise in-house; ensuring that delegation of activities or tasks do not reduce the Commission's freedom of action; and ensuring, where appropriate, that basic principles like objectivity, impartiality, and proportionality are duly taken into account. Naturally, any cost/effectiveness analysis of the externalisation option will need to take account of opportunity costs and of the indirect resource costs for the Commission of technical preparation, support, and supervision. There should be clear reporting guidelines for bodies carrying out externalised activities.

In line with the decision already taken by the Commission on orientations for externalisation policy, further work will take place - through the Planning and Coordination Group on Externalisation - to refine the typology and in particular to examine the practical and legal arrangements for setting up a new type of implementing body referred to above.

4. LEAD SERVICES

Planning and Coordination Group on Externalisation including relevant horizontal services (notably DG Budget, DG Admin and DG Financial Control) and operational services with experience of externalisation. The work of this Group will be coordinated with that of the Planning and Coordination Group on Human Resources insofar as the latter Group addresses the issue of the work which may be performed by non-permanent staff. (cf Fiche IV.3)

5. **TIMING**

April 2000: definition of the regulatory framework, structure and mandate of the different instruments of externalisation including the possibility to create a new category of Commission or Community bodies for the implementation of Community programmes and actions.

September 2000: Adoption by Commission of the Communication

CHAPTER III – PRIORITY SETTING, ALLOCATION AND EFFICIENT USE OF RESOURCES

IX - DECENTRALISATION OF INTERNAL MANAGEMENT

1. OBJECTIVE

The principle of the decentralisation of management as a source of advantages, both in terms of financial savings and increased responsibility for the services is no longer questioned. In particular, support services should only be provided centrally where added value can be demonstrated. However, the decentralisation of management-related activities should be based on an appropriate cost-benefit analysis.

There is a need for further analysis of the impact and the efficiency of decentralisation. Any further progress in this area has to be carefully conceived, planned and monitored. Existing situations may need to be revised in view of analysis of their costs and benefits. The following areas should be considered as a matter of priority in order to determine their suitability for further decentralisation:

- human resources management
- ITC and logistical support
- financial and budget management

2. NEW ACTION TO BE IMPLEMENTED

Action 14: Consider further decentralisation

A detailed survey should be undertaken rapidly in the above-mentioned areas to analyse which among the services provided by horizontal DGs should remain centrally located.

The analysis should be based on an objective, cost-benefit basis.

If a task has to be decentralised, it should be clear what the costs and the anticipated benefits (including increased responsibility of the services) at Commission level would be. The role of the horizontal services should be clarified. Generally speaking, in cases of decentralisation horizontal services should continue to maintain responsibility for the elaboration of vademecums, guidelines, help-desk, facilities etc.

In cases where the recommendation would be to maintain a central structure, it will be important to quantify the resources necessary to carry out an appropriate service.

3. LEAD SERVICE(S)

Action 14: IGS/Audit Service will lead the analysis. DG ADMIN will lead the implementation with support of the Planning and Co-ordination Group on Human Resources.

4. TIMING

Action 14: October 2000: analysis available.
February 2001: decisions on further decentralizations.

CHAPTER III – PRIORITY SETTING, ALLOCATION AND EFFICIENT USE OF RESOURCES

X - ADMINISTRATIVE STRUCTURES

1. OBJECTIVE

In the past there has been a lack of coherence in the organigrammes of departments due to a lack of precision of existing guidelines. An unjustified proliferation of advisors without clearly defined tasks and a lack of units in different departments for uniform tasks such as human resource management or financial control were visible signs of this incoherence. Action to ensure coherent organigrammes and the attribution of tasks to each official have to be taken.

2. NEW ACTION TO BE IMPLEMENTED

Action 15: Clear guidelines for organigrammes

New guidelines will provide general guidance for the design of organigrammes. Furthermore, special rules for those elements of each department which need to be uniform for special functional reasons or to create inter-departmental networks will be included.

Action 16: Clear tasks for each official

There should be a job description for each official. Tasks given to individuals should be clearly linked to the responsibilities of the service and the organisational unit to which an individual is attached.

Advisors without clearly defined tasks have already been eliminated from organigrammes when the new Commission took office. Now these advisors need to find new posts as an advisor with a clear task or in management functions. Advisors who cannot find such posts will need to be reintegrated into units following clear procedures,

Action 17: Audit of organisational arrangements in services

All organisational arrangements, including the implementation of structures laid down in organigrammes and the allocation of tasks to individuals, will be subject to management audits by the newly created Audit Service.

3. LEAD SERVICE(S)

Action 15+16: DG ADMIN supported by SG

Action 17: Audit Service

4. TIMING

Action 15: May 2000.

Action 16: July 2000.

Action 17: May 2000.

CHAPTER IV – HUMAN RESOURCES

XI - MANAGEMENT PERFORMANCE

1. OBJECTIVE

The problem of management in the Commission has been addressed critically by the reports of the Committee of Independent Experts and also by the Williamson Report. The accent has been put on the urgent need to improve and promote a culture of accountability, in particular at management level. This requires action at a number of levels: clear definition of competence and responsibilities; transparent and reliable selection procedures ensuring appointments of high quality individuals whose skills profiles match job requirements; measures ensuring continuous performance evaluation at all management levels and solid training programmes for managers as well as potential managers. The overall aim should be to create a culture of management and accountability rather than simply one of administration.

2. ACTION RECENTLY TAKEN

Action 18: Improved selection of senior managers

The Commission has already started to give more weight to the criterion of management ability (in addition to knowledge and skills relevant to the post in question) in its selection/appointment procedures.

First, the Commission decision of 18th September 1999, establishes clear procedures and criteria to be applied in appointments to grades A1 (Director-General) and A2 (Director). These comprise a better-defined role for the Consultative Committee on Appointments (CCA), clear and transparent assessment criteria for high-level appointments and wide-ranging interviews with pre-selected candidates. Furthermore, the CCA will call on special external expertise in the field of the post concerned, or in recruitment.

Secondly, in its decision of 8th December, the Commission adopted guidelines for merit-based appointments to A1 and A2 posts which set out the means in accordance with which equal opportunities and geographical balance will be taken into account.

3. NEW ACTION TO BE IMPLEMENTED

Action 19: Further improvements of the selection of senior managers

In the two decisions mentioned above, the Commission has committed itself to further action to improve the selection of managers, in particular with a view to reinforcing and increasing the professionalism of the selection process and creating an environment that is favourable to the recruitment, promotion and career development of women within the Institution.

This includes:

- a) proposals to enable all staff to reconcile professional life with family commitments,
- b) proposals to undertake the selection procedures in a more professional manner,
- c) assessment of the application of the new rules on merit based appointments. In this context, proposals will be made for the selection procedures for Heads of Units.

Action 20: Ensure continuing evaluation of management performance

The Commission will also follow up on the above-mentioned decisions by introducing individual performance assessments for A1 and A2 officials. In addition, the management skills of officials holding A1 posts will be judged on their results through the routine audits of the performance of the services for which they are responsible. A2 officials will be assessed by their Directors-General. Mobility rules will be introduced for A2 officials, as they have been for A1 officials, involving periodic transfers.

A probationary period will be introduced for *all* senior and middle management appointments, and the principle of ‘reversibility’ will be introduced for all management positions: this means that managers who do not reach the Commission’s standard would revert to a non-management position. Decisions in this area will be taken by the Director-General concerned after consultation of the CCA.

Action 21: Management training

A systematic programme of training will be introduced for all managers from Head of Unit upwards and satisfactory participation in a preliminary management course will be mandatory for new Heads of Unit. Preparatory management training will be available for potential managers from A6 and a special effort will be made to ensure that all women reaching A5 have the possibility to attend such a course. This action has already been launched.

Consideration should be given to setting up a dedicated training facility for senior management in order to develop professional competence. Access to this facility should also be granted to the best and most promising middle managers.

4. LEAD SERVICES(S)

Action 18-21: DG ADMIN with support of the Planning and Co-ordination Group on Human Resources (PCG)

5. TIMING

Action 18: Implemented.

Action 19: July 2000: strategy to enable staff to reconcile professional life with family commitments (part of the communication on social policy),
October 2000: proposals to improve the operation of the Consultative Committee on Appointments,
Mid 2002: assessment of the application of new rules on merit based appointments for A1 and A2 officials.

Action 20: October 2000: adoption of draft Commission Decision on management.
October 2000: introduction of individual performance assessments for A1 and A2 officials.
April 2001: adoption of Commission decision on management.

Action 21: July 2000: Results of consideration of training facility.

CHAPTER IV – HUMAN RESOURCES

XII - RECRUITMENT POLICY

1. OBJECTIVES

Existing recruitment policy and selection methods have allowed the Commission to recruit well-qualified individuals. However, the procedures have been demonstrated to be costly, inefficient and outdated, and in need of fundamental overhaul. The Commission's recruitment policy should be based on four key objectives:

- The accurate identification of human resource needs, both for the foreseeable future and the longer term;
- The definition of agreed competency profiles, based on job analyses;
- The definition and delivery of efficient and cost-effective selection procedures;
- Retention by the Commission of overall control of selection procedures. Any decisions concerning the organisation, and in particular the deconcentration, of the selection process should be taken in the light of the above objectives and with the aim of achieving greater efficiency and value for money.

2. NEW ACTION TO BE IMPLEMENTED

Action 22: Recruitment fulfilling Commission's needs

Accurate identification of current and future human resources needs (based on improved forward planning of political priorities by the Commission) is a key element in an effective recruitment activity.

On the basis of the planning of political priorities, the Directorate General responsible for personnel and administration, together with the other Directorates General, will have to identify the Commission's human resources needs, and in particular the job profiles required, based on job analyses which translate those requirements into clear definitions of the qualities and abilities needed to perform effectively.

Selection procedures will be organised on the basis of identified needs and the required job profiles. In future, recruitment procedures will target candidates who are likely to meet the required profile. New selection procedures will need to be developed in order to ensure the recruitment of candidates who most closely match requirements.

Action 23: Improving the efficiency and cost-effectiveness of selection procedures

Existing selection methods are clumsy, expensive and slow.

In the future, all recruitment must be based on job analyses and competency profiles. Existing tests must be re-designed at every stage in the selection process, with the aid of external experts, in order to ensure that they assess candidates in relation to the established competency profiles.

Consideration must also be given to the procedures used to implement this new recruitment policy. It is clear that the procedures ultimately chosen must be cost-effective and ensure accountability. The Commission must retain ultimate responsibility for the recruitment of its staff.

Consideration should be given to combining the existing written and oral tests into a single assessment centre process. As the pre-selection phase of recruitment is the most costly and cumbersome to organise given the thousands of candidates involved, particular attention will need to be paid to the organisation of this phase of recruitment. The use of multiple choice tests, capable of being delivered using information technology, seems to be the best approach. As stated above, it is essential that the Commission retains overall control of the selection process. The following options should be considered: improving the existing procedures; using external contractors; devolving responsibility to partners in Member States; and the use of an agency.

Action 24: Achieving geographical balance

The Staff Regulations require that recruitment is organised in a manner which secures the broadest possible geographical basis among nationals of the European Union's Member States. This clearly has implications for recruitment policy. A number of options will need to be considered: improving the existing system; organising recruitment to all grades by language; and setting targets for the number of candidates of each nationality who would be retained following the pre-selection test and allowed to sit the following stages in the recruitment procedures. It must be clear that this last option in no way implies that recruitment to the Community Institutions be organised on the basis of nationality.

Action 25: Improving the work of Selection Boards

Juries will in future be professional Selection Boards composed of a core of outside specialists and seconded officials exclusively performing this task for a limited time.

Action 26: Transparent and rapid recruitment procedures

In future all information about recruitment procedures and organisation of competitions will be published on the Internet. It should in particular be possible to apply via Internet, with full documentation to be provided at an appropriate stage. The number of successful candidates for each competition will be in reasonable proportion to the posts available. Recruitment of successful candidates will take place within a limited period of time (1 or 2 years). Recruitment procedures will be speeded up as far as possible and the delay for filling vacancies reduced.

The overhaul of recruitment policy and selection procedures requires a Commission Decision and may also imply modifications to the Staff Regulations (in particular, to Annex III).

3. LEAD SERVICE(S)

DG ADMIN with support of the Planning and Co-ordination Group on Human Resources.

4. TIMING

Action 22-26: October 2000: draft Commission Decision on recruitment policy, including proposals for any necessary amendments to the Staff Regulations.

April 2001: adoption of Commission decision.

July 2001: implementation of new policy (to the extent that no changes to the Staff Regulations are required).

April 2000: after consultation of OSPs, Commission submits proposal for any necessary changes to the Staff Regulations to the Inter-Institutional Staff Regulations Committee.

December 2001: Commission submits proposal for any necessary changes to Staff Regulations to Council.

CHAPTER IV – HUMAN RESOURCES

XIII - CAREER DEVELOPMENT

1. OBJECTIVE

The present distinction between A, LA, B, C and D category staff and the corresponding distinction between grades is largely based on the level of academic qualifications and length of professional experience achieved before joining the European civil service.

Within the service, merit is not sufficiently rewarded, in particular in determining progress within the career system. Furthermore, many staff are frustrated at being excluded from any further progress, often in mid-career. An overhaul of the present career system is therefore necessary.

The current procedures for grading new recruits are complicated, slow and do not acknowledge different ways in which professional experience and ability is acquired. A grading committee has to look at each file, but is bound by overly bureaucratic grading criteria. The procedures need to be simplified and expedited.

Furthermore, the existing policy has not been effective either in enabling individuals to develop their careers or in permitting the Commission to make the best long-term use of its staff. Career guidance hardly exists, and attempts to reform the staff assessment system have been largely unsuccessful. The current probationary period is not sufficient to identify cases where new recruits are unsuitable. There is no early warning system or specific procedures to deal satisfactorily with cases of incompetence.

It is therefore necessary to develop a new human resource policy whose objective is to make the best use of staff and to promote job satisfaction by offering proper career development, involving mobility, career guidance and merit-based promotion linked to fair and meaningful assessment procedures.

In addition, the forthcoming enlargement of the Union will create a major challenge for personnel policy. It will be essential to integrate officials from new Member States without negative effects on the career development of existing staff. The Commission will have to reflect on suitable measures, including an early retirement scheme.

2. NEW ACTION TO BE IMPLEMENTED

Action 27: Creation of a linear career system

The new system will be linear, without categories. Recruitment of officials would be at various levels concomitant with the requirement in terms of the necessary competences, backed up by qualifications and professional experience where appropriate. Special responsibilities linked to a well-defined time-limited function, will be seen as deserving a time-limited reward in the form of payment at a higher grade.

In future, seniority will be acknowledged by progress within a grade. However, the number of steps within each grade will be limited, as will the circumstances in which the highest step of any grade allow for higher payment than the basic step in the next grade.

The system must make provision for good career possibilities for officials who are not managers, but who command knowledge and skills valuable to the organisation.

New officials will be recruited in accordance with the new system. Officials recruited following the old system will be graded corresponding to the new system with a guarantee that their pay will not be reduced.

The new career system will require modification of the Staff Regulations. Pending this, proposals to improve internal competitions and thus increase access to higher categories will be made.

Action 28: Simplification of existing grading procedures

In future, all professional experience gained after obtaining relevant professional or academic qualifications will be taken into account by the administration in the grading procedure in a coherent and transparent way. The grading committee will be consulted by the administration only in cases of doubt, and if the new official appeals against the decision of the administration. A Commission Decision is necessary to change the existing procedures.

It will obviously be necessary to consider measures in order to address the issue of equal treatment between new and current members of staff.

Action 29: Provide access to career guidance

Based on the existing structure, a central function needs to be set up to offer guidance to individuals on career prospects throughout their working lives. This central function will serve as a model and give guidance for a decentralised system to be set up in all departments.

The personnel database (SYSPER) will be developed to include information profiles and skills of individuals. This database will be a useful tool for better career guidance and development.

Action 30: Encouraging mobility

Mobility increases an official's experience, range of abilities and knowledge, and prepares them for higher responsibilities. However, it would be counterproductive to lay down generally binding rules for mobility, other than for the External Service. Instead, a variety of actions are intended to start the necessary change in the current culture where acquiring the ability to adapt to new tasks has not received enough attention.

Departments will be encouraged to organise systematic mobility. The central career guidance function will develop clear and transparent guidelines for mobility. Responsibility for monitoring mobility would lie with the personnel departments. Special training in preparation for changing posts will be offered where appropriate. Mobility should be regarded positively in the framework of performance assessment, appointments and promotions.

Action 31: Establishment of a new annual evaluation system

An annual evaluation system based on extensive dialogues and the use of modern methods such as two-way feed back will be established. The system will have two distinct roles:

- The first would be to provide staff with objective description of, and feed back on, work carried out, and to encourage staff to do better through a detailed qualitative assessment of each individual's performance judged against their job description and objectives. Evaluation reports should first and foremost be factual, describing in great detail what officials have done, and what results they have obtained. The system should integrate discussion of career development issues such as training and mobility.
- The second would be for the administration to assess fairly both past performance and where appropriate the potential that the individual being assessed may have to assume other and/or more significant responsibilities. Merit would be at the basis of promotions and the assessment should, consequently, include the attribution of a mark (or marks). Merit is a relative concept and this would provide management with an incentive to assess individuals for promotion as compared to their peers. Inflation in marks will, therefore, be prevented by the introduction of a fixed quota or 'ration' of marks to each Directorate General or equivalent. Mobility will be regarded as a career asset. Finally, the staff report system for management should also include an element of assessment by those whom they manage, with full safeguards for those assessing managers.

A specific evaluation system for A1 and A2 officials will be developed.

A Commission Decision would be needed to set up the new system. Closer examination of whether a change to the Staff Regulations in order to allow for the comparative evaluation of staff at the level of Directorates-General rather than in the Commission as a whole will be necessary.

Action 32: Promotion based on merit

While promotion is a reward for past performance, it must also reflect, where appropriate, evidence of the potential to perform at a higher level of responsibility. The current promotion system can be improved significantly without having to change the Staff Regulations.

First, the rules and procedures will be made more transparent with a clear and user-friendly vademecum on EuropaPlus and the publication of all relevant data on promotion exercises (notably, the lists of who is eligible and the number of promotions possible for each DG).

Second, the system will be simplified with a single system for all categories and budgets (i.e. research staff to be included).

Third, there will be a stronger link between promotion and performance assessment.

Finally, individual departments will be encouraged to take greater responsibility for their promotion proposals by limiting recommendations to the number of promotion possibilities and eliminating the notion that unsuccessful candidates on one year's list will be automatically included the following year ("reliquats"). This will give everyone a fairer chance, including those who have moved between departments, and so contribute to mobility.

However, the introduction of comparative evaluation of staff at the level of Directorates-General will require a corresponding change to the provisions of the Staff Regulations concerning promotion.

Action 33: Set up preventive measures and procedures for inadequate performance and incompetence

A series of measures to prevent and deal with inadequate performance and professional incompetence will be established:

- A specific procedure for dealing with inadequate performance and incompetence, distinct from the disciplinary procedure, will be established.
- An early warning system based on reports (probationary, periodic, etc.) triggering corrective measures will be set up. Open discussions, analysis of the personal potential, retraining and efforts to find an appropriate post will help to deal with cases of inadequate performance and incompetence.
- Individual cases of inadequate performance and incompetence should be clearly defined and a clear procedure for dealing with individual cases should be established. A Commission Decision is necessary for this action and it will specify management's duty to identify incompetence and deal with it fairly and thoroughly.
- Better use of the probationary period will be made in order to identify individuals who are unlikely ever to meet the required standards. An increase in the length of this period will also contribute to this objective.
- A specific procedure for dealing with inadequate performance and incompetence, distinct from the disciplinary procedure, will be established.

The last two measures will require modifications of the Staff Regulations.

3. LEAD SERVICE(S)

DG ADMIN, with the support of the Planning and Co-ordination Group on Human Resources.

4. TIMING

Action 27: October 2000: Commission Communication on a new career system, including a proposal to amend the Staff Regulations.
 April 2001: After consultation of the OSPs, the Commission will submit a proposal to the Inter-Institutional Staff Regulations Committee (SRC).
 December 2001: Commission submits proposal to amend Staff Regulations to Council.

The objective is for a new system to be implemented in 2002 (after consultation of the SRC, submission to the Council and agreement by the Council).

Action 28: May 2000: adoption of draft Commission decision.
 September 2000: adoption of Commission Decision.

Action 29+30 December 2000: creation of central career guidance function.
 October 2001: creation of decentralised career guidance system.
 2002: new version of SYSPER will be available.

Action 31: October 2000: adoption of draft Commission Decision.
 April 2001: adoption of Commission Decision.
 The objective is for the new system to be applied in the course of 2002.

Action 32: October 2000: adoption of draft Commission decision including proposal to amend the Staff Regulations.
April 2001: adoption of Commission decision.
April 2001: After consultation of the OSPs, the Commission will submit any necessary proposals to the Inter-Institutional Staff Regulations Committee (SRC).
December 2001: Commission submits any necessary proposals to amend Staff Regulations to Council.

Action 33: December 2000: early warning system implemented by administrative measures.
September 2000: draft Commission Decision on professional incompetence, including proposals to amend the Staff Regulations.
March 2001: adoption of Commission decision and submission of amendment of the Staff Regulations to the Inter-Institutional Staff Regulations Committee (following consultation of the OSPs).
December 2001: Commission submits proposal to amend Staff Regulations to Council.

Implementation scheduled for 2002 (after agreement by the Council).

CHAPTER IV – HUMAN RESOURCES

XIV - TRAINING

1. OBJECTIVES

The overall objective is to provide the right training to the right people at the right time in a cost-effective way as part of an overall strategy for the optimum management and development of human resources in the Commission.

In recent years, considerable progress has been made to achieve this objective. Departments now have a budgetary framework and are able to programme their own specific training plans while at the same time a broad training is provided centrally.

2. ACTION RECENTLY TAKEN

Action 34: New management and induction training

New management training programmes for middle and senior management are being offered in 2000. For the first time, the Commission has a comprehensive programme of management training. Furthermore, a new induction-training programme was introduced in 1999, with training structured over the course of the probationary period. However, more is desirable with a view to giving training its proper place at the centre of a modern career development system.

3. NEW ACTION TO BE IMPLEMENTED

Action 35: Link training with other areas of human resources management.

The appraisal dialogue is the ideal opportunity for training needs to be assessed. Fulfilling these needs will prepare members of staff for future tasks, including appointment to management posts before they are called upon to accomplish them. For these reasons, training is an integral part of evaluation, career guidance and development, improvement of job satisfaction and prevention of incompetence. At certain stages of an official's career, specific actions may be recommended while other forms of training should be mandatory. A priority list of mandatory, recommended and voluntary training will be established.

The resources needed to fund many of the plans for the future for strengthening the Commission's training effort will be considerable. A future system of individual training plans mean that the available appropriations have to be at least doubled.

Action 36: Create a New Officials Programme

A centrally managed trainee programme for new officials will allow the Commission to better equip them with the necessary skills and to build a common European Public Service culture.

Training on the job in different departments will also be integrated in the trainee programme.

4. LEAD SERVICE(S)

Action 34-36: DG ADMIN, with the support of the Planning and Co-ordination Group on Human Resources.

5. TIMING

Action 34: Implemented.

Action 35: 2001: implementation of considerably increased training budget.
2001: communicate improvements in the reform progress report.

Action 36: October 2000: adoption of Commission Decision on New Officials Programme.
April 2001: adoption of Commission Decision.
July 2001: start of first young professionals programme.

CHAPTER IV – HUMAN RESOURCES

XV - NON-PERMANENT STAFF

1. OBJECTIVE

There has been a proliferation of the types of contractual staff who are not permanent civil servants. Currently, these staff comprises both statutory and non-statutory (external) staff. Statutory staff comprise temporary, auxiliary and local agents; external staff comprise casual staff, freelancers (prestataires de service), those employed under private law contracts and seconded national experts. The situation is confusing, non-transparent and expensive. It does not guarantee that core public service tasks are always performed by members of staff accountable to the high standards laid down in the Staff Regulations. The clarification and simplification of the rules under which non-permanent staff operate is essential for the future.

On the one hand, this will guarantee that the Commission will continue to fulfil core European public service tasks by using staff bound by the same ethical core and professional standards.

On the other hand, clear rules will allow for the necessary flexibility to *execute* certain policies with non-permanent staff. A policy of externalisation can only be implemented on the basis of such a set of rules. Non-permanent staff working on the execution of policies – notably running of programmes and actions – can be attributed to activities subject to externalisation.

2. NEW ACTION TO BE IMPLEMENTED

Action 37: Safeguard accountability in the performance of core activities

Core tasks should only be carried out by members of staff directly employed by the Commission who are accountable to the high standards laid down in the Staff Regulations.

They will be required to respect the same ethical and professional standards as officials. Their recruitment or secondment will be strictly time-limited to ensure that they are really temporary. Temporary agents and experts seconded by national administrations will always work under the guidance of permanent officials, and they should not account for more than a small minority of overall staff.

The above action will require:

- a. a multiannual programme for the transformation of credits (for auxiliary and casual staff) into permanent posts, starting with the 2001 budget.
- b. a multiannual programme for the transformation of temporary posts into permanent posts, starting with the 2001 budget.
- c. an amendment to the Commission Decision on seconded national experts to ensure their full accountability.

- d. a Commission Decision on the recruitment of temporary agents under Article 2(b), the methods of selection and the maximum proportion of temporary agents.
- e. phasing out of all other contractual staff (e.g. free lancers) on core tasks.

Action 38: *Better use of non-permanent staff for non-core activities*

Simple rules need to be developed to ensure that non-permanent staff working on the execution of policies can be recruited according to the needs of the Commission. Beside local agents used in the Commission's delegations and representations, only two types of contractual staff should be recruited for non-core activities: auxiliaries and individuals subcontracted by specialised companies (thereby progressively removing the need for other forms of staff). The contracts would be flexible in their timing but with a maximum duration.

Action 39: *Examine the need to change the Staff Regulations*

In the context of the externalisation policy and the creation of implementing agencies, the Commission will examine the need to amend the Staff Regulations to provide for the necessary flexibility to recruit contractual staff.

3. LEAD SERVICE(S)

Action 37 a, b: DG BUDG

Action 37 c, d, e, 38, 39 DG ADMIN supported by the Planning and Co-ordination Group on Human Resources.

4. TIMING

Action 37 a, b: 2001 budget: Multiannual programme of transformation of credits and of temporary posts into permanent posts.

Action 37 c: October 2000: adoption of draft Commission Decision on detached national experts.
April 2001: adoption of Commission Decision.

Action 37 d: October 2000: adoption of draft Commission Decision on temporary agents.
April 2001: adoption of Commission Decision.

Action 37 e: December 2002: phasing out of all other contractual staff on core tasks.

Action 38: October 2000: adoption of draft Code of Conduct for external personnel.
April 2001: adoption of Code of Conduct.

Action 39: December 2000: examination of need to amend Staff Regulations completed.

CHAPTER IV – HUMAN RESOURCES

XVI - A BETTER WORKING ENVIRONMENT

1. OBJECTIVE

The objective of creating a better working environment is of prime importance in increasing job satisfaction and getting the best out of staff. This objective necessarily involves a variety of considerations and actions. The following difficulties should be addressed: rigid and heavy layers of authority (dealt with under the heading working practices), insufficient understanding of the impact of cultural diversity on working relationships, and difficulties in reconciling professional and private life.

2. NEW ACTION TO BE IMPLEMENTED

Action 40: Improved Working Conditions

Measures will be taken to improve induction into the service, training on managing diversity, and the organisation of work and working-time. In particular:

- Measures will be introduced to render the services provided by DG ADMIN more customer friendly. This initiative has already been launched by the Director General
- Greater emphasis on induction courses on working in a multicultural environment
- Providing ‘non national’ mentors to new officials
- Introduction of parental leave, and the opportunity for leave for both parents for one year after the birth of a child. Measures will be taken to address the implications of parental leave in terms of seniority, pension and social security. Consideration will also have to be given to whether this leave should be remunerated.
- Compensating services for absence on maternity or parental leave or part-time working for family reasons by creating the possibility for job-sharing, and creating a reserve of posts in the establishment plan and/or creating a reserve of credits for auxiliary staff
- Promoting more flexibility and productivity as well as better motivation and job satisfaction for individuals by setting out general guidelines on flexible working including flexitime, part-time working and teleworking.

Action 41: Targeted Social Policy

Social policy will be more targeted to achieve the following objectives:

- Enabling staff to reconcile work with private life, in particular family life
- Promoting equal opportunities for all staff
- Easing professional integration of staff
- Providing help and support to staff facing particular difficulties and to retired staff
- Offering opportunities for staff to have social contacts with others
- Physical fitness.

3. LEAD SERVICE(S)

DG ADMIN, with the support of the Planning and Co-ordination Group on Human Resources.

4. TIMING

Action 40+41: July 2000: Communication containing an overall evaluation of its ongoing activities in the area of working conditions, social policy and equal opportunities and its action plan for the coming years, including proposals for any necessary changes to the Staff Regulations.

February 2001: submission of any necessary amendments of the Staff Regulations to the Inter-Institutional Staff Regulations Committee (following consultation of the OSPs).

December 2001: Commission submits proposal to amend Staff Regulations to Council.

CHAPTER IV – HUMAN RESOURCES

XVII - EQUAL OPPORTUNITIES

1. OBJECTIVE

The Commission's human resources management policy must have at its core a commitment to genuine equality of opportunity for all. In particular, this entails not only the creation of an environment that is favourable to the career development of women in all categories, but also action specifically aimed at increasing their access to senior management positions.

2. NEW ACTION TO BE IMPLEMENTED

Action 42: Promote equal opportunities

In order to promote equal opportunities, all necessary measures will be taken to create an environment that is favourable to the recruitment, promotion and career development of women within the Institution and to enable them and all staff to reconcile their professional life with their family commitments more easily (flexible working hours, teleworking, social infrastructure – day nurseries, etc).

In addition, whilst the challenges related to the employment and career development of people with disabilities obviously arise for different reasons, the Commission must also take action to try to reach the best standards of procedure amongst public administration in the EU.

The current duration and conditions of maternity leave will need to be improved. Means will be sought to prevent departments from being penalised for the absence of officials on maternity leave or working part-time for family reasons. This could include job-sharing, the creation of a reserve of posts in the establishment plan, or the creation of a reserve of credits for recruiting auxiliary staff.

A right to parental leave will be introduced, as will a right for both parents to take leave for one year after the birth of a child. Measures to ensure the maintenance of seniority, pension and social security rights during maternity and parental leave will need to be examined. Consideration will also have to be given to the question of remuneration during parental leave.

The Commission will strive to eliminate discrimination of all forms based on race, sex, sexual orientation, disability or religious beliefs. In particular, the Commission will examine as a matter of urgency the status of registered partnerships, including same sex partnerships.

3. LEAD SERVICE(S)

Action 42: DG ADMIN with support of the Planning and Co-ordination Group on Human Resources.

4. TIMING

Action 42: July 2000: Communication containing an overall evaluation of its ongoing activities in the area of equal opportunities, working conditions and social

policy and its action plan for the coming years, including proposals for any necessary changes to the Staff Regulations.

February 2001: submission of amendments of the Staff Regulations to the Inter-Institutional Staff Regulations Committee (following consultation of the OSPs).

December 2001: Commission submits proposal to amend Staff Regulations to Council.

CHAPTER IV – HUMAN RESOURCES

XVIII - TRANSPARENCY OF PERSONNEL POLICY

1. OBJECTIVE

The application of the Staff Regulations and the rules for their implementation is perceived as being complicated and not transparent. This is mainly due to the fact that, over time, the Staff Regulations have undergone numerous modifications and a large number of implementing Inter-Institutional legal texts, Commission Decisions and administrative procedures have been adopted, but without a complete set of rules being publicly available. Furthermore, some of the existing rules are clearly outdated and give rise to confusion and inconsistent application. An effort is needed to simplify and consolidate the legal instruments and to make them more transparent. In addition, measures have to be taken to ensure that individuals who are subject of an administrative decision clearly understand the basis upon which it has been taken.

2. NEW ACTION TO BE IMPLEMENTED

Action 43: Clear rules applied in a clear way

The Staff Regulations, implementing legislation and basic administrative decisions need to undergo a simplification exercise. Many improvements can be made by means of changes to implementing legislation and administration procedures. In particular outdated rules need to be abolished. Pending this simplification, every effort must be made to apply existing rules in the most effective, and clear and consistent manner. Consideration will further be given to the introduction of new Staff Regulations in the form of a lighter framework agreement. Each institution would then be free to lay down more detailed rules. A move in this direction should be undertaken only if it has real added value. There should be no change for change's sake.

Action 44: Improved transparency

Better transparency will be achieved by publishing a consolidated version of the Staff Regulations, important Commission Decisions and basic administrative decisions on the Commission's Intranet. Regular updating will be assured.

In addition, DG ADMIN will normally provide decisions addressed to single members of staff in one of their working languages.

Furthermore, the Commission will, to the extent possible, give all candidates, on request, access to documents relating to their participation in recruitment procedures.

3. LEAD SERVICE(S)

DG ADMIN, with the support of the Planning and Co-ordination Group on Human Resources.

4. TIMING

Action 43: December 2000: if necessary, a proposal to amend the Staff Regulations will be prepared for a first reading by the Commission.
May 2001: after consultation of the OSPs the Commission will submit a proposal to the Inter-Institutional Staff Regulations Committee (SRC).
December 2001: submission of proposal to the Council.

The aim is to secure agreement on a new version of the Staff Regulations by 2002 (after consultation of the SRC, submission to the Council and agreement by the Council).

Action 44: July 2000.

CHAPTER IV – HUMAN RESOURCES

XIX - DISCIPLINE

1. OBJECTIVE

Zero tolerance of fraud and of other forms of misconduct is a prerequisite for restoring public confidence in the European civil service. This requires a clear set of rules and guidelines on the rights and obligations of civil servants, appropriate incentives, just and efficient disciplinary procedures and appropriate sanctions where staff are in breach of their professional obligations.

Currently, the Commission's disciplinary procedures have a number of major shortcomings, and in particular the lack of a permanent Disciplinary Board.

Furthermore, the proceedings are often too slow and staff are not sufficiently well informed regarding their obligations and the possible consequences of breaches of those obligations.

2. NEW ACTION TO BE IMPLEMENTED

Action 45: Improvements to disciplinary procedures

Major improvements are necessary. These should cover:

- a. measures which do not require an amendment to the Staff Regulations, in particular preventive measures, internal rules for the opening of proceedings, the creation of a permanent secretariat of the Disciplinary Board, guidelines on sanctions based on their proportionality in relation to the gravity of the offence, and provisions to enable OLAF to give evidence to the Disciplinary Board where it has conducted relevant investigations.
- b. measures which require modification of the Staff Regulations, in particular concerning the powers to undertake enquiries, the creation of an Inter-Institutional Disciplinary Board, the conditions relating to suspension of officials in serious cases during the disciplinary proceedings, the participation of a representative of the Appointing Authority in the Disciplinary Board, and the creation of an Attorney's office in the Commission to bring the Administration's case to the Disciplinary Board and to represent it there,

3. LEAD SERVICE(S)

Action 45: DG ADMIN, with the support of the Planning and Co-ordination Group on Human Resources.

4. TIMING

Action 45: September 2000: Communication on discipline, including proposals for amendments to the Staff Regulations.

- Action 45 a:** September 2000: adoption of draft Commission Decision on improvements to disciplinary procedures.
March 2001: adoption of Commission decision
- Action 45 b:** September 2000: first reading of a proposal to amend the Staff Regulations by the Commission.
March 2001: submission of the proposal to amend the Staff Regulations to the Inter-Institutional Staff Regulations Committee, after consultation of the OSPs.
December 2001: submission of proposal to change Staff Regulations to Council.

CHAPTER IV – HUMAN RESOURCES

XX - CLEAR RULES ON WHISTLEBLOWING

1. OBJECTIVE

In a Commission Decision of 2nd June 1999, staff were given clear indications of the channels to be used for reporting irregularities.

Members of staff must inform the Head of Service or Director General, the Secretary General or OLAF if they come across evidence of the existence of possible fraud, corruption or any other illegal activity detrimental to the interests of the Communities. The same obligation applies in relation to evidence of serious breaches of professional duties liable to result in disciplinary or criminal proceedings. Persons complying with the above obligations must not suffer inequitable or discriminatory treatment as a result of communicating such information. The Commission must ensure that adequate procedures are in place, which protect the interests of and are fair to whistleblowers, those they accuse and the identified.

2. NEW ACTION TO BE IMPLEMENTED

Action 46: Rights and obligations governing the reporting of misconduct and the protection of persons who report misconduct under existing procedures via internal channels to their direct hierarchy, the Secretary General and OLAF need to be specified.

Action 47: Beyond the existing procedures, definition of external reporting channels and the protection of the whistleblowers and suspected persons.

Action 48: Examine the need to amend the legal instruments creating OLAF and the Staff Regulations.

Action 49: Building on the existing structure, the creation of a central mediation service to offer further assistance and a contact point for cases that do not involve alleged fraud or action affecting the financial interests of the Community.

3. LEAD SERVICE(S)

Action 46-48: DG ADMIN with support of the Planning and Co-ordination Group on Human Resources.

4. TIMING

Action 46-48: September 2000: Communication on rules on whistleblowing, including proposals for any necessary changes to the Staff Regulations and the legal instruments creating OLAF.

Action 46: September 2000: adoption of a draft Commission Decision laying down rules for members of staff reporting misconduct under existing procedures.
March 2001: adoption of Commission decision.

- Action 47:** September 2000: draft Inter-Institutional agreement on whistleblowers.
March 2001: adoption of Inter-Institutional agreement on whistleblowers.
- Action 48:** September 2000: adoption by Commission of draft amendments to the legal instruments creating OLAF and the Staff Regulations, if necessary.
March 2001: submission of any proposal to amend the legal instruments creating OLAF and the Staff Regulations to the Inter-Institutional Staff Regulations Committee, after consultation of the OSPs.
December 2001: submission of any proposal to amend the legal instruments creating OLAF and the Staff Regulations to Council.
- Action 49:** December 2000: building on the existing structure; the creation of a central mediation service.

CHAPTER IV – HUMAN RESOURCES

XXI - PAY AND PENSION

1. OBJECTIVE

The objective is to ensure that the European civil service remains independent and permanent and that the Commission is able to attract and to retain appropriate individuals of the highest quality and ability in order to be able to discharge its important functions to the standards required by the Member States and other stakeholders. In particular, the levels of remuneration must be such as to attract a sufficient number and quality of staff from all Member States in order to maintain the broadest possible geographical balance required by the Staff Regulations.

While meeting these objectives, a number of major challenges for the system of pay and pensions have to be faced:

2. NEW ACTION TO BE IMPLEMENTED

Action 50: Pay

The current system for the adjustment of salaries, dating from 1991 and comprising the method and temporary contribution, expires on 30th June 2001. It is, therefore, necessary to initiate reflection on a new method. This new method must continue to be based on the principle of parallelism with the evolution in real terms of public sector wages across Member States and ensure equality of purchasing power at different places of work, avoiding at the same time the social conflicts associated with annual negotiations.

The report on the system of remunerations transmitted to the Parliament and Council in 1999 and the results of the comparative study, currently being conducted by external consultants, which will soon be available, should allow for an objective debate on the purpose of allowances under the Staff Regulations.

Action 51: Pensions

There is a legal obligation arising from the Staff Regulations to ensure an actuarial balance in the pension scheme. Currently, the numbers covered by the scheme and the associated budget expenditure are both growing strongly, for which there is no immediate solution. Actuarial balance can be achieved on the basis of the two possibilities provided for in the Staff Regulations: adjusting the level of contributions from staff and from the Member States or by raising the retirement age.

Achieving and maintaining an actuarial balance requires a genuine long-term policy on contributions, in the shape of a procedure and a formula setting the contribution annually on the most objective basis possible.

3. LEAD SERVICE(S)

DG ADMIN.

4. TIMING

Action 50-51 These issues need to be discussed with the staff unions and the other institutions on the basis of a Communication scheduled for June 2000.

CHAPTER IV – HUMAN RESOURCES

XXII - RESOURCE IMPLICATIONS OF REFORM

1. OBJECTIVE

The overall aim of the current reform process is to sustain an independent, permanent and high quality European civil service that equips the Commission to fulfil its tasks as a world class organisation. To achieve this, a comprehensive overhaul of human resources policy from recruitment to retirement is required, both to permit members of staff to fulfil their potential and to enable managers at every level to manage effectively.

For the Commission to function effectively, it is also necessary to ensure an adequate matching between staff and the tasks imposed on the Commission. Clearly, Reform should lead to greater efficiency and the concomitant Reform dividend would alleviate resources problems. But in order to reap this dividend, it is necessary to invest first.

In addition, upcoming Enlargement poses a major challenge for personnel policy necessitating the integration of officials from new Member States without negatively affecting the career development of existing staff. The Commission will have to reflect on suitable measures, including early retirement.

2. NEW ACTION TO BE IMPLEMENTED

Action 52: Consideration of the resource implications of reform

It is already clear that certain reform proposals will have resource implications. These include:

- The development of training as a core component of a modern human resources policy;
- Safeguarding accountability in the performance of core tasks will require a multiannual programme for the transformation of credits (for auxiliary and casual staff) into permanent posts, starting with the 2001 budget and the transformation of temporary posts into permanent posts, starting with the 2001 budget.
- The introduction of the New Officials Programme.
- The modernisation of working conditions and social policy and implementation of an improved equal opportunities programme.

On the other hand, reform will lead to greater efficiency. A Communication containing a first assessment of the overall resource implications of reform will address these issues.

Action 53: Resource implications of reform proposals

In the elaboration of all its reform proposals, the Commission will set out the likely resource implications.

3. LEAD SERVICE(S)

DG BUDG with support of DG ADMIN and the Task Force on Administrative Reform.

4. TIMING

Action 52 September 2000: adoption by the Commission of a Communication setting out a first assessment of the resource implications of reform.

Action 53 The resource implications of all reform proposals will be set out.

CHAPTER V – AUDIT, FINANCIAL MANAGEMENT AND CONTROL

XXIII - DEFINING THE RESPONSIBILITIES OF AUTHORISING OFFICERS AND LINE MANAGERS

1. OBJECTIVE

The conditions for creating a real sense of responsibility are, first of all, a clear definition of tasks; secondly, making sure that everyone knows and understands their responsibilities; and, thirdly, fair and trusted means for dealing with breaches of the rules.

Since financial management is but one aspect of operational management, the delegation of the power to authorise expenditure has to be consistent with the chain of responsibility of the management process, from the ordinary official to the Director General and the Commission. Therefore, the person who takes the operational decision to go ahead with an action involving expenditure should be, as far as possible, the person who authorises the expenditure.

In this context, the tasks and responsibilities of an authorising officer cannot be dissociated from those of an operational manager. However, it is important to ensure that the stewardship of Community funds is entrusted to persons who are capable of this type of management.

2. NEW ACTION TO BE IMPLEMENTED

Action 54: Description of the responsibilities of each financial actor

A set of clear rules on the rights and duties of each financial actor (authorising officer, accounting officer, financial controller or internal auditor) detailing the responsibilities will be drawn up. This will be given to each financial actor at the time of his or her nomination and supported by appropriate training. Failure to meet the standards set in the charter will result in withdrawal of the granted delegation. The withdrawal authority and procedure will be set out in the charter.

Action 55: Delegation of powers

The power to authorise expenditure shall be attributed by the Commission to officials of the Community, to whom the rules on liability foreseen by the Staff Regulations apply. The charter on the responsibility of authorising officers will establish the rules for delegating within departments the power to authorise expenditure. As far as possible, the person who takes the operational decision to go ahead with an action involving expenditure should be the person who authorises the expenditure. In some specific areas to be determined, the College itself could retain the power to decide an item of expenditure; in that case, the Commission's internal rules on the execution of the budget will define the administrative responsibility of the department managing the expenditure.

Action 56: Suppression of centralised ex-ante visas

The requirement to obtain prior approval from the Financial Controller before committing or authorising expenditure will be eliminated. Likewise, the compulsory opinion of the Advisory Committee on Procurement and Contracts will no longer be required before concluding a contract. (See Fiche V.2.D for transitional arrangements pending changes to the Financial Regulation).

This action requires an unanimous decision of the Council on the recasting of the Financial Regulations, taking into account the opinion of the Court of Auditors and European Parliament

Action 57: Financial Irregularities Panel

Without calling into question the role of OLAF, in cases of financial error or suspected irregularity which do not involve fraud, the Director General of the department concerned will, before initiating a disciplinary procedure, submit the case to a Financial Irregularities Panel of a help-desk nature to advise on possible financial irregularities. This Panel will consider whether there are systemic shortcomings and, if so, the relevant role of the person responsible for the management and control system. The Panel will have an advisory role and it will be an intermediary step between the detection of an irregularity and the launching, if appropriate, of a formal disciplinary procedure. The official involved should have the right to be heard by the Panel. As far as possible, the Panel will recommend corrective and preventative measures to the Director General.

3. LEAD SERVICE(S)

Action 54: DG Financial Control, DG Budget, supported by the Planning and Coordination Group (PCG) on Financial Circuits.

Action 55: All DGs, DG Budget, supported by the PCG on Financial Circuits.

Action 56: DG Budget, supported by the PCG on Financial Circuits.

Action 57: Secretariat General, DG Budget, supported by the PCG on Financial Circuits.

4. TIMING

Action 54: May 2000 (Commission decision).

Action 55: Early 2001 (approval of the Commission's internal rules on the execution of the budget 2001).

Action 56: April 2000 (Proposal for recasting of the Financial Regulations).

Action 57: June 2000 (Commission decision).

CHAPTER V – AUDIT, FINANCIAL MANAGEMENT AND CONTROL

XXIV - CREATION OF A CENTRAL INTERNAL AUDIT SERVICE

1. OBJECTIVE

Given the size and complexity of its financial operations, the Commission needs an assurance that financial risks are being properly managed and that resources are being used efficiently. It needs an overall strategy that permits ongoing monitoring of the operation of its internal control systems and of controls on expenditure funded from the EU Budget, revenues or own resources.

An appropriate structure for the audit and ex-post verification function would be for systematic ex-post checks and systems reviews of activities in the field to be carried out by specialist staff in ex-post review units within operational DGs (such units are currently called 'audit' units). This structure would be complemented by a central Internal Audit Service (IAS) whose main task would be to review the internal control functions and systems within the Commission. Internal auditing in the Commission has to focus on examining internal controls within the Commission services themselves. As part of this, the central Internal Audit Service should assess the adequacy of the work of the ex-post review units in operational DGs and, where possible, make use of it.

In the Commission, internal audit would therefore be an instrument which 'adds value' to the activities of the institution and a tool to assist management to develop sound internal control systems². The Internal Audit Service should have the following principal roles:

1. to exercise a permanent and visible function of surveillance and to maintain and develop its capacity for the independent appraisal of the adequacy, quality and evolution of the Commission's internal control systems over all its operations, both financial and non-financial;
2. to examine, evaluate and report on the adequacy and effectiveness of systems and operations and, more widely, the quality of performance of Commission services (including Delegations) in carrying out policies, programmes and actions, thereby auditing the complete chain of management, if necessary down to the final beneficiary;
3. to carry out special audits in areas where there are indications or evidence that internal control systems are sufficiently weak that a high potential exists for the misappropriation of financial resources or the violation of the principles of sound management.

2. ACTION RECENTLY TAKEN

Establishment under the responsibility of a Director General of a Planning and Coordination Group for the set up of the Internal Audit Service.

3. NEW ACTION TO BE IMPLEMENTED

Action 58: *Establishment of an independent Internal Audit Service by May 2000*

² The Institute of Internal Auditors defines internal audit as "an independent and objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve effectiveness of risk management, control, and governance processes."

An independent and professional Internal Audit Service (IAS) will be set up under the direct responsibility of the Vice-President for Reform. The new service will be progressively built up on the basis of the existing internal audit unit in the Financial Control DG, drawing on professionally qualified internal audit staff and other competent audit staff in the Financial Control DG, the IGS and elsewhere in the Commission as well as from outside. By May 2000 the IAS will be formally set up as a service separate from the Financial Control DG. The IAS should be provided with sufficient human, informatics and other resources.

The Head of the Service must have the same independence as is currently guaranteed by the Financial Regulation to the Financial Controller, thereby enjoying autonomy in the conduct of audits, the maintenance of professional standards and the contents of reports. The Head of the Service will be a highly qualified and experienced member of the audit profession recruited specifically for this task. A corresponding modification will be introduced in the Financial Regulation. In the interim the Head of the Service reports – under the responsibility of the Financial Controller – to the Vice-President for Reform.

Action 59: *An Audit Progress Board*

An Audit Progress Board, chaired by the Budget Commissioner, assisted by the Vice-President for Reform and two more Commissioners as well as possibly one external member, will assign responsibilities in the Commission so that audit reports are followed up by DGs, monitor progress, discuss external audit matters and ensure that the Audit Service's work is fully embedded in the Commission. Commissioners and Heads of Services need to be fully informed in carrying out their responsibilities to implement recommendations from the Internal Audit Service. Commissioners and services could, through the Board, call on the Internal Audit Service to provide assistance or carry out specific audits.

Action 60: *Reporting*

The Internal Audit Service should produce regular and timely internal reports on its findings; external reports to keep the main interlocutors informed of developments in internal control and audit in the Commission; and an annual report of the Audit Service, outlining its activities, principal findings and follow up, to be presented to the Commission and be made public. Discussion between the Internal Audit Service and its auditees should last no more than one month, after which the audit report should be finalised.

Action 61: *Guidance to ex-post review units in operational DGs*

The Internal Audit Service (IAS) should provide general guidance and criteria to the ex-post review (audit) units in operational DGs on their roles and responsibilities in respect of the checks to be carried out, the relationship with the operational managers, and working methods (planning, reporting, dissemination of results, action to be taken on reports, follow up and reporting to management and the central IAS on the action taken).

4. LEAD SERVICE(S)

Action 58, 59, 60: Planning and Coordination Group “Internal Audit Service”, DG Budget (for modification of Financial Regulation) and DG Admin (for recruitment and logistics)

Action 61: Internal Audit Service

5. TIMING

Action 58, 59, 60: Commission Decision in April 2000 (Internal Audit Service to start operating in May 2000)

Action 61: Throughout 2000 (after the set up of the IAS).

CHAPTER V – AUDIT, FINANCIAL MANAGEMENT AND CONTROL

XXV - CREATION OF A CENTRAL FINANCIAL SERVICE

1. OBJECTIVE

Central professional support and advice need to be available to anyone dealing with budgetary and financial management. This will provide coherence across the Commission in the definition and application of rules and procedures. It is the corollary of giving more responsibility to financial actors: to be able to act responsibly, they need first the knowledge and means to exercise those responsibilities.

On the other hand, the best means of ensuring respect for rules and procedures is to make them readily accessible to all officials in a form which is consolidated, simplified, clearly set out and easily accessible. The need for clear, common and consolidated rules and procedures is especially urgent for grants and procurement. Competitive procedures for allocating finance, full information about financing possibilities, fair treatment of all bidders, transparent selection procedures, publication of the results, and proper follow-up and evaluation are principles that must be rigorously applied. The problem of drawing the dividing line between a grant and a procurement spending needs to be settled. Last, the Commission needs to set a good example in procurement procedures, especially in allowing appeals by unsuccessful bidders.

2. ACTION RECENTLY TAKEN

A Central Contracts Cell, established within DG Budget since 1998, has started defining standard contracts, providing advice and designing a contracts database.

A Vade-Mecum on Grant Management was agreed by the Commission in July 1998 and came into force on 1 January 1999. An evaluation of its application is underway and the results will be available in February 2000.

3. NEW ACTION TO BE IMPLEMENTED

Action 62: Creation of a Central Financial Service

A Central Financial Service (within DG Budget) will define the regulatory framework - including sectoral financial rules - for using Community finances, provide advice to those who manage these financial appropriations and who take care of their recovery, develop and manage common financial management information systems and define – together with DG Administration and operational DGs – training courses on financial matters. The Service will establish a user-friendly and interactive intranet site containing all the rules, manuals and other information on all aspects of direct and indirect financial management. Its service will be attuned to the needs of its ‘clients’, and feedback from a regular survey of the satisfaction of its users will be included in DG Budget’s annual report.

Action 63: Advice on contracting

Setting up of a contracts unit to provide advice on contracting to authorising officers and to the Commission. This unit will be in charge of defining standard contracts, managing the contracts database (see below), and giving advice on contract management and procurement procedures.

Action 64: *Contracts database*

A central database will bring together all contracts and financing agreements concluded by the Commission. It will be a precondition of any commitment that the data related to the envisaged contractor have been entered in the database. The database will contain all relevant information on the object of the contract, the contractor, the beneficiaries (including major indirect beneficiaries) and implementation.

Action 65: *Operational manuals of financial management*

The operating rules will be codified and presented in simple manuals which will be up dated as needed. These manuals will translate into practical terms the principles of sound financial management and act as a guide to dealing with a financial file from the conception of the action to the evaluation of the results. The training on financial and budgetary management will be based on these manuals.

Action 66: *Contracts and grants*

The principles for awarding and monitoring contracts and grants will be set out in a separate section of the revised Financial Regulation.

Consideration will have to be given to the creation of a body independent of the authorising officers that could handle complaints against procurement procedures.

Action 67: *User networks*

The Central Financial Service will set up user networks to ensure an effective diffusion of information, to identify and exchange best practices and to obtain feed-back from operational services. The functioning and number of existing user networks will be reviewed and streamlined in this context.

4. LEAD SERVICE(S)

Action 62: DG Budget, possibly supported by the Planning and Coordination Group (PCG) on Financial Circuits.

Action 63: DG Budget.

Action 64: DG Budget, possibly supported by the PCG on Financial Circuits.

Action 65: DG Budget, possibly supported by the PCG on Financial Circuits.

Action 66: DG Budget, DG Markt, possibly supported by the PCG on Financial Circuits.

5. TIMING

Action 62: May 2000 (Commission's decision on the establishment of the Central Financial Service), intranet site completed by June 2001.

Action 63: June 2000.

Action 64: June 2001.

Action 65: November 2000.

Action 66: April 2000 (Commission's proposal for recasting of the Financial Regulations); Review the need to change the Commission's internal rules of procedure (Règlement intérieur)

Action 67: Throughout 2000.

CHAPTER V – AUDIT, FINANCIAL MANAGEMENT AND CONTROL

XXVI - FINANCIAL MANAGEMENT AND CONTROL WITHIN DIRECTORATES GENERAL

1. OBJECTIVE

A Director General's responsibilities cover the entire management process, starting from the definition of objectives to delivering results. This includes ensuring the legality, regularity and effectiveness of the financial decisions he/she takes, a responsibility that will no longer be shared with the Financial Controller or the accounting officer after the elimination of their responsibility for the ex-ante visa and for the check of the validity of the discharge. Directors General will therefore wish to ensure that they have sound internal control systems. The Commission's Internal Auditor will be responsible for the examination of the efficiency and effectiveness of management and departmental internal control systems.

Internal control is a process designed to provide reasonable assurance regarding the achievement of the following objectives: (1) reliability and integrity of information; (2) compliance with laws, regulations, policies and procedures; (3) safeguarding of assets; (4) economical and efficient use of resources; and (5) setting and accomplishment of established objectives, plans for operations and programmes. It follows that internal control is the responsibility of all officials. Internal control systems should be integrated with operating activities, so that prompt reaction to changing situations is possible and the quality of decision making and delegation can be improved. The key financial control issue is to define the tasks and responsibilities of each official involved in the decision making process since all tasks carry financial implications at some level.

In organisational terms, it will be possible to build on existing structures. The finance units, which were set up as counterweights to decision makers in DGs' line management, need to evolve their internal control function. In line with the logic of giving responsibility to managers, the counterweights can develop their advisory function, providing support and monitoring, rather than operating as transactional watchdogs. While it should be operational managers who have primary responsibility for ensuring legality and regularity, it will be open to Directors General to decide whether they wish to retain an in-house ex-ante visa system. In such cases, however, care should be taken to avoid the risks that would come from simply replacing the current elements of shared responsibility between operational DGs and the Financial Control DG by a shared responsibility between operational managers in the DGs and the finance unit within the same DG.

While the structures and instruments throughout the Commission should be as uniform as possible, an identical system for all DGs would not be appropriate given that spending profiles, requirements for financial management and control capability, and corresponding models for internal control systems vary across DGs. It seems prudent to set uniform minimum standards – validated by external expertise – rather than to impose a harmonised framework on all services. In parallel, an analysis of human resource requirements will be needed and ways found to attract and retain competent staff. Management skills, especially in financial management, should be developed through recruitment and training.

Particular attention will need to be given to the area of external relations, both in respect of the current split in responsibility for different stages of the project cycle and of the deconcentration and decentralisation of financial interventions.

2. ACTION RECENTLY TAKEN

External Evaluation of the Implementation and Results of SEM 2000: July 1999

3. NEW ACTION TO BE IMPLEMENTED

Action 68: Review of internal control systems in operational DGs

Each authorising service must take ultimate responsibility for reviewing its own internal control systems, and it will be for Directors General to ensure the adequacy of internal controls in their services. Successful internalisation of this control function requires: (1) the definition of the risks; (2) the definition of the existing, and, where necessary, expanded nature, place and content of the control (including preventive ex-ante and ex-post review); and (3) the putting into place of the necessary organisation structures. Each DG should set out in writing its procedures for decision-making, handling files and financial monitoring following a guide and format defined by the horizontal services (action 2). This document should be accessible to all staff and kept up to date. A copy would be sent for information to DG Budget and the Internal Audit Service.

Action 69: Assistance of central services in the design of adequate internal controls

Close collaboration between operational DGs and the present Financial Control DG and the Central Financial Service will be necessary for the development of effective financial management and internal control throughout the Commission. The central services will need to determine budgeting and internal reporting requirements and provide assistance to DGs on the basic elements and externally validated uniform minimum standards of a sound framework for financial management and internal control in the Commission. OLAF will assist DGs with advice on the design of those elements of internal control systems which are concerned with fraud awareness and prevention and will contribute to related training activities.

Action 70: Evolution of the role of finance units in DGs

Finance units will be the main point of contact with DG Budget, ensuring that rules and procedures are known throughout the DG and feeding back the experience of users. They will produce the financial section of the DG's Annual Activity Report. These units will provide advice and assistance to operational units. They could combine an ex-ante approval role, if considered appropriate by the Director General, with other aspects of financial planning and monitoring. However, when both the operational department and the finance unit intervene in the authorisation of the expenditure, the responsibility of each actor needs to be defined in accordance with the principle that who decides bears the responsibility for the opportuneness of the action.

Action 71: Strengthening the role of ex-post review units in operational DGs

In the new organisation of financial management and control, the role and remit of ex-post review units in operational DGs will need clearer definition. In particular those DGs with significant spending responsibilities need to maintain or further develop units dealing with ex-post checks on activities in the field and the review of management systems both inside and outside the Commission as appropriate. These units will have the responsibility to organise their checks on the legality and regularity of operations as appropriate, and the effectiveness of relevant systems in Member States (refer to fiche on Internal Audit Service). They should report to the Director General and communicate their findings regularly to the Internal Audit Service. Corresponding ex-post review and system audit activities currently performed by the Financial Control DG will be decentralised to operational DGs.

Action 72: *Human resources in the area of financial management*

Directors General should only accept new spending obligations if they are satisfied that there are adequate levels of staffing, in qualitative and quantitative terms, to manage them. In addition to the redeployment of financial controllers from the DG Financial Control (see Fiche III.E), any shortfall will need to be addressed in the Commission when it allocates human resources. Thorough training in the relevant principles and procedures will be provided to all staff working in financial and budgetary management.

In line with Activity Based Management (ABM), new programmes of financial interventions will earmark in their legal base the human and administrative resources needed for their proper monitoring and control, these resources being expressed as a percentage of the financial envelope for the programme.

4. LEAD SERVICE(S)

Action 68: All DGs supported by the Planning and Coordination Group on Financial Circuits.

Action 69: DG Budget, DG Financial Control, OLAF, supported by the PCG on Financial Circuits.

Action 70: No lead service: all DGs, supported by the PCG on Financial Circuits.

Action 71: All DGs with ex-post review units and Financial Control DG.

Action 72: DG Budget, DG Admin, all DGs, supported by the PCG on Financial Circuits.

5. TIMING

Action 68: April 2000 (for description of existing procedures). Development throughout 2000.

Action 69: April 2000 (guide), July 2000 (common obligatory minimum standards), October 2000 (all DGs to meet standards). Assistance throughout from horizontal services.

Action 70: Throughout 2000.

Action 71: Strengthening of ex-post review units throughout 2000 and redeployment of staff by 31 December 2000 (target date).

Action 72: Throughout 2000.

CHAPTER V – AUDIT, FINANCIAL MANAGEMENT AND CONTROL

XXVII - THE TRANSITION PHASE

1. OBJECTIVE

The existing legal framework, notably the current Financial Regulation, requires the maintenance of a centralised ex-ante visa and enshrines the role of the Financial Controller as being responsible for ex-ante financial control and internal audit. As a result, the ex-ante visa as carried out by the Financial Control DG cannot be totally abandoned immediately or be replaced by an automatic technical visa on all transactions. However, the recasting of the Financial Regulation is no obstacle to a more radical use of sampling methods for ex-ante visa controls, the reinforcement of departmental internal controls and the strengthening of internal audit's independence and professionalism.

The method and timing of the restructuring of the Commission's structures for internal control and internal audit will determine, to a large extent, the reform's success in this area and its speed of implementation. To ensure during the transition period an orderly phase-out of the control activities of the Financial Control DG and to make the corresponding redeployment of staff to operational DGs a manageable task, the Commission will aim at 31 December 2000 as the target date for the quasi-abolition of central ex-ante visa controls and for the validation of internal control systems in DGs by the Internal Audit Service. The Commission will impress on Council, Parliament and the Court of Auditors the need to meet a reasonable target date for the abolition of the central ex-ante visa. This is a precondition for a smooth transition period throughout which the Financial Controller is able to guarantee the orderly phase-out of its activities and the phase-in of financial control staff into operational DGs. The Commission will ensure that responsibilities of officials during the transition period are fully clarified and that ex-ante control – whether centralised or decentralised – operates swiftly and effectively.

2. NEW ACTION TO BE IMPLEMENTED

Action 73: *Strengthening departmental internal control, reduction of centralised ex-ante visa controls and deconcentration of financial controllers*

In parallel to building up the Internal Audit Service, ex-ante visa controls by the Financial Control DG will be progressively reduced through more radical sampling, as a function of progress achieved in the reinforcing internal control structures in operational DGs and perceived risk. This will be accompanied by a process of deconcentrating (or devolving) all controls performed by the Financial Control DG (i.e. ex-ante advice, ex-ante visa control, ex-post verifications and system audits in Member States) to operational DGs, under which delegated financial controllers continue to report to the Financial Controller.

Action 74: *Quasi-abolition of ex-ante visa controls following internal audits*

In the meantime the Internal Audit Service defines the audit needs for a restructured Commission and sets audit priorities with regard to risk. Where progress in the strengthening of internal control systems in individual DGs (refer to previous fiche) is judged by the Internal Audit Service to be adequate, related controls performed under the responsibility of the Financial Controller will finally be decentralised, with financial control staff being absorbed into the personnel of the operational DG. These DGs could be the first for which ex-ante visa controls by the Financial Control DG can be quasi-abolished.

Action 75: *Separation of internal audit from financial control*

The concern for rendering internal audit independent by eliminating the potential for conflicts between internal audit and financial control would be met by revising Article 24 of the Financial Regulation in the context of the recast and, as much as possible in the interim, through a system by which the Financial Controller would report separately to the Vice-President for Reform on internal audit, thereby reducing a potential conflict of interest. The proposed revision in the Financial Regulation would foresee that, in the case of the Commission, the responsibility for internal audit could be transferred by Commission Decision from the Financial Controller to another senior official with equivalent independence. The Commission will urge Council, Parliament and Court of Auditors to adopt rapidly this change to Article 24, which should be treated as a separate train.

Action76: *Financial Control DG and Inspectorate General of Services*

Once the Financial Regulation frees the Financial Control function from its current responsibilities, the Financial Control service will cease to exist. As to the IGS, it will cease to exist in May 2000 following the incorporation of its activities into the Internal Audit Service.

Action 77: *Consultation of ACPC*

Pending the recast of the Financial Regulation, the Commission will adopt new implementing rules under the current Financial Regulation for the compulsory consultation of the Advisory Committee on Procurement and Contracts (ACPC). Higher thresholds will be foreseen without preventing services from consulting the ACPC on a voluntary basis for any procurement under the thresholds.

3. LEAD SERVICE(S)

Action 73: All DGs in coordination with Financial Control DG and DG Admin supported by PCG for Financial Circuits

Action 74: Internal Audit Service, Financial Control DG

Action75: DG Budget

Action76: DG Admin

Action 77: DG Budget

4. TIMING

Action 73: Throughout 2000

Action 74: Throughout 2000

Action75: April 2000 (Commission Proposal for the overall recast of Financial Regulation), adoption as soon as possible

Action76: April 2000: Commission Decision on the abolition of the IGS

On a date to coincide with the adoption of the amendment to the Financial Regulation: Commission Decision on the abolition of the Financial Control DG

Action 77: June 2000 (Commission Decision on new implementing rules).

CHAPTER V – AUDIT, FINANCIAL MANAGEMENT AND CONTROL

XXVIII - PROTECTING THE COMMUNITY'S FINANCIAL INTERESTS

1. OBJECTIVE

The Reform needs to address the issue of how the irregularity and fraud “proofing” of legislation and of financial management rules and procedures can be maximised. Co-operation between the Commission services and between the Commission and Member States will need to be better defined to ensure that more effective action is taken to improve the prevention and detection of irregularities, fraud and corruption.

2. NEW ACTION TO BE IMPLEMENTED

Action 78: Guidelines for sound project management

To contribute to a proper business conduct of officials throughout the life cycle of programmes and projects, from the conceptual level to the evaluation of final results, guidelines will be put in place. The aim will be to prevent an administrative behaviour detrimental to the Communities' political, legal and financial interests by raising awareness on the part of officials and beneficiaries to forms of conduct which in certain phases of the life cycle of programmes and projects might lead to unintentional errors, conflicts of interest and irregularities.

Action 79: Better co-ordination of interaction between OLAF and other services

Notwithstanding the legal framework for the creation of OLAF, a more effective fight against irregularities, fraud and corruption requires the improvement of co-ordination and co-operation between OLAF, the new Internal Audit Service and DG Budget as well as, in certain cases, the Financial Irregularities Committee and DG Admin. A more practical agreement will be elaborated to promote an efficient and timely exchange of information. This must lead to a more efficient use of available resources and a more rapid finalisation of investigation and special audit reports, at the same time improving the irrefutability of results. OLAF will keep those DGs, which are directly concerned its administrative investigations, regularly informed about progress.

Action 80: Fraud “proofing” of legislation and contract management

To render the present system of fraud-proofing more effective, Commission services will be required, when proposing new legislation with a potential impact on the Community budget, to submit draft proposals to OLAF for a risk assessment during inter-service consultations. DG Budget will be assisted by OLAF in the review of the Commission's systems for contract management (e.g. standard contracts, central contracts database, management tools). OLAF will also provide advice on fraud-proofing throughout the legislative process.

Action 81: Optimisation of Early Warning System

The establishment of a central database for all contracts and grants (refer to action 3, fiche on Central Financial Service) will permit the monitoring of funds granted to beneficiaries. While the setting up of the database will take time, the functioning of the existing Early Warning System (EWS) will be optimised through a mechanism making the consultation of the EWS compulsory before entering any commitments in the accounting as well as through a better definition of the responsibilities of the involved services, greater involvement of authorising

services, and effective monitoring regarding identifiable links of signalled entities to the same or any other authorising department in the Commission.

Action 82: *More effective management of recovery of unduly paid funds*

To improve efficiency and effectiveness of the follow-up to and the legal enforcement of recovery orders the definition of responsibilities, which are now dispersed between DG Budget, the Financial Control DG, the Legal Service and – in the case of irregularities or fraud – OLAF, needs to be reviewed. To deal for the Commission as a whole with all issues related to the recovery of unduly paid funds, the setting up of an adequately staffed organisational structure will be envisaged for July 2000. Dispute settlement procedures will be clarified and simplified in order to help in the recovery process.

Action 83: *Improved monitoring of Structural Funds*

The Member States should make available detailed information on project progress and on payments to final beneficiaries, together with a set of information on financial corrections, project substitution and additionality, so as to allow better monitoring of actions. The Commission will reinforce its audits of the information submitted by the Member States, as well as its audits of the effectiveness of their procedures. Financial corrections enforced through compensation mechanisms will be applied if a Member State fails to introduce sufficient controls or provide adequate information.

Action 84: *Simplified clearance procedure for EAGGF*

A statistical review of the length of the various steps of the clearance procedure since 1996 will be produced and quantified shortening objectives will be proposed.

3. LEAD SERVICE(S)

Action 78: DG Budget, SG

Action 79: OLAF, Internal Audit Service, DG Budget, DG Admin

Action 80: All DGs, OLAF, DG Budget

Action 81: DG Budget, Internal Audit Service, Legal Service and OLAF, supported by PCG on Financial Circuits

Action 82: DG Budget, OLAF, Legal Service

Action 83: DG Regio

Action 84: DG Agri

4. TIMING

Action 78: December 2000

Action 79: December 2000

Action 80: From May 2000 on

Action 81: July 2000

Action 82: July 2000

Action 83: December 2000

Action 84: June 2000